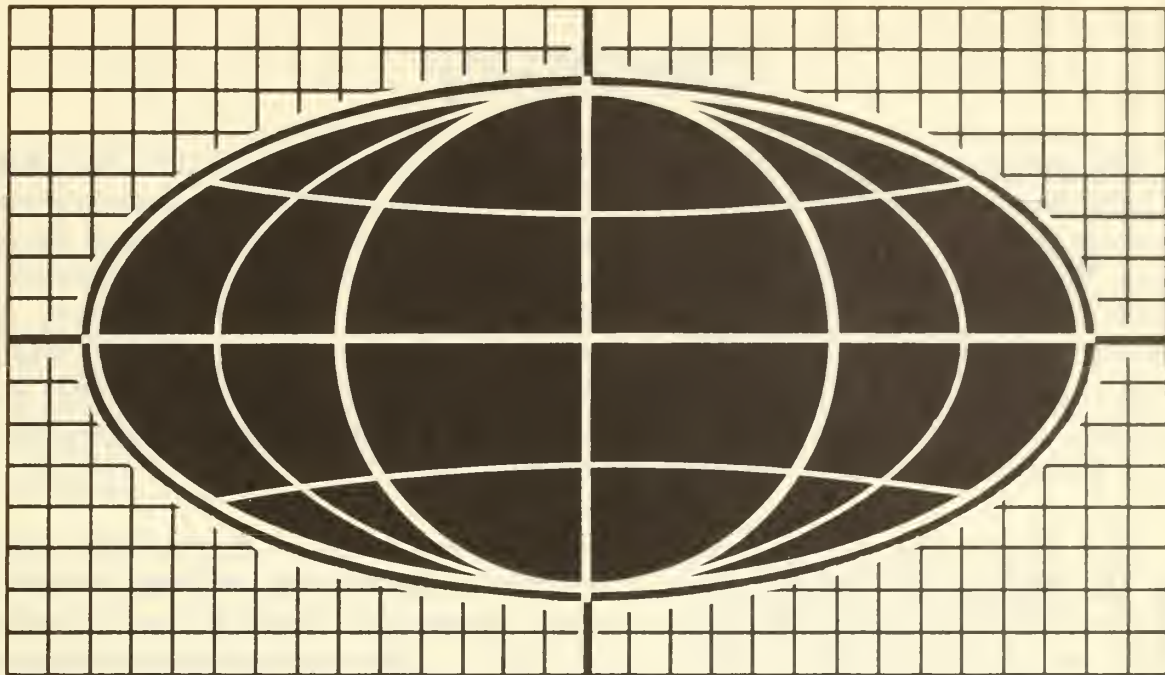


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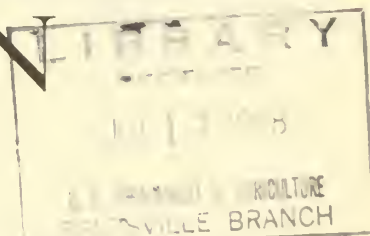
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THE EUROPE AND SOVIET UNION AGRICULTURAL SITUATION



Review of 1967 and Outlook for 1968

U.S. DEPARTMENT OF AGRICULTURE
ECONOMIC RESEARCH SERVICE

Washington, D.C.

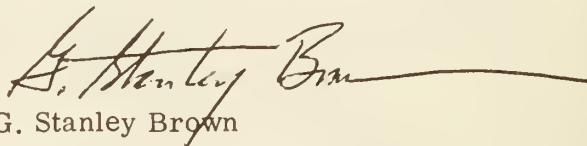
FOREWORD

The Europe and Soviet Union Agricultural Situation: Review of 1967 and Outlook for 1968 follows a different format than that used in our previous annual reviews. Discussion has been focused on developments and significant changes in Western Europe, Eastern Europe, and the USSR that are of concern to American agricultural interests. Separate country statements are not presented, except for the Soviet Union. The statistical appendix has generally been limited to production data. Statistical data not presented in this report will be published later this year in an Agricultural Data Book on Eastern Europe and the Soviet Union, and in one on Western Europe. These publications will contain data covering the period 1950 to 1967.

This report was prepared by the staff of the Europe and Soviet Union Branch under the direction of Fletcher Pope, Jr. Reed E. Friend was responsible for the sections of the report on the European Economic Community; Roger E. Neetz, for those sections on Eastern Europe and the Soviet Union. Others contributing to the report include Razvigor Bazala, Lynn S. Bickley, G. Robert Butell, Marshall H. Cohen, Doris H. Jeter, Raymond W. Konan, Jerome A. Levine, James Lopes, Carolyn E. Miller, William E. Pearson, Elizabeth V. Truhan, Sheldon K. Tsu, and Thomas A. Vankai.

Acknowledgment is extended to the Foreign Agricultural Service for assistance provided, especially by Agricultural Attache personnel who supplied much of the basic data.

The Europe and Soviet Union Agricultural Situation is one of four regional supplements to the World Agricultural Situation: Review of 1967 and Outlook for 1968, FAER No. 38. Other regional reports will be published on Africa and West Asia, the Western Hemisphere, and the Far East and Oceania. Data may vary slightly from those in The World Agricultural Situation, as this report is based on information available as of March 1, 1968.



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Washington, D. C.

April 1968

ABBREVIATIONS

- CAP..... Common Agricultural Policy of the European Economic Community.
- CEMA ... Council for Mutual Economic Assistance (Members: Bulgaria, Czechoslovakia, The Soviet Zone of Germany or East Germany, Hungary, Mongolia, Poland, Romania, and the Soviet Union.
- CXT..... Common External Tariff of the European Economic Community.
- EEC..... European Economic Community. (Members: Belgium, Luxembourg, France, Italy, The Federal Republic of Germany or West Germany, Netherlands. Associate members: Greece, Turkey.)
- EFTA.... European Free Trade Association. (Members: United Kingdom, Austria, Denmark, Norway, Sweden, Switzerland, Portugal. Associate member: Finland.)
- FEOGA.. European Agricultural Guidance and Guarantee Fund of the EEC.
- GAP..... Gross Agricultural Product.
- GATT.... General Agreement on Tariffs and Trade.
- GDP..... Gross Domestic Product.
- GNP..... Gross National Product.
- OECD.... Organization for Economic Co-operation and Development. (Members: The United States, Canada, Japan, Turkey, Yugoslavia, and all West European countries except Finland.)

TIME REFERENCES

Statistics refer to a calendar year unless otherwise indicated. When split year (July 1 to June 30) data are used, they are identified with a diagonal stroke such as 1964/65. Hyphens, such as 1959-61, indicate averages for several years.

THE EUROPE AND SOVIET UNION

AGRICULTURAL SITUATION

SUMMARY

High levels of agricultural output were attained in Europe and the Soviet Union in 1967. Total production in Western Europe surged to a record level 6 percent higher than in 1966. Production in the Soviet Union and several East European countries dropped below the 1966 records but held at favorable levels.

Above-average yields for most grains provided a significant push to output expansion in Western Europe. Excellent weather during the growing and harvesting seasons was primarily responsible for the higher yields. On the other hand, inadequate rainfall caused a decline in the wheat crop in the Soviet Union and in the corn crop in several East European countries.

Livestock and livestock product expansion was evidenced throughout both Western Europe and Eastern Europe in 1967. Increased supplies of milk have led to a substantial buildup of butter and nonfat dry milk stocks in the EEC. Beef production rose above 1966 levels in nearly all of the European countries but output was still below consumption requirements. Pork production was at a high level in the EEC but increases were moderate in the remainder of Western Europe and in Eastern Europe. Broiler production continued to expand throughout most of Europe. In the Soviet Union, milk and meat production con-

tinued to expand but increased slaughter led to a decline in hog numbers and a curtailment in the buildup of cattle herds.

The EEC further implemented its Common Agricultural Policy, establishing a common market organization and common prices for grains, pork, eggs, poultry, and oilseeds on July 1, 1967. EEC membership attempts by the United Kingdom, Ireland, Denmark, and Norway were unsuccessful.

The Soviet Union continued to increase capital investment and material inputs in agriculture in 1967. Several East European countries gave increased attention to planning, organizing, and managing agricultural production.

U. S. agricultural exports to Western Europe amounted to \$2.6 billion in 1966. Approximately 60 percent went to the Common Market countries. Yugoslavia, Poland, and Czechoslovakia were the major recipients of the \$255 million in agricultural products the United States shipped to Eastern Europe and the Soviet Union.

Results during the first 5 months of the 1967/68 trade year point towards some decline in U. S. agricultural exports to Europe from the 1966/67 level. The increased availability of feed grains in Western Europe, along with

increased supplies from other feed grain exporters, may continue to dampen demand for this major U. S. export. However, any decline

in demand for feed grains may be partially offset by an increase in demand for soybeans--another U. S. export of major importance.

WESTERN EUROPE

ECONOMIC SITUATION

The decline in the rate of economic growth which began in the latter part of 1966 continued during 1967, and with the exceptions of Italy, Norway, and the Netherlands, the West European countries experienced either mild recessions or serious declines in their rate of growth. For some West European countries, the slower growth in economic activity had been expected following many years of economic expansion. In the EEC countries, the rate of real growth in GNP was 2.5 percent, the lowest increase since the Community was established. For all of Western Europe, the real GNP growth rate was around 3 percent.

The recession in the Federal Republic of Germany (West Germany) affected growth in the economies of its major trading partners. However indicators point to increased economic activity in West Germany during 1968, largely due to increased investment outlays and a further expansion of exports. Increases in consumer spending are expected despite the value-added tax imposed on January 1, 1968.

The United Kingdom experienced a series of events which aggravated the balance-of-payments problem. During 1967 exports fell sharply. This was due to several factors, including the closure of the Suez Canal and dock strikes in Great Britain. Internally, an epidemic of foot-and-mouth disease was an added burden to the depressed economy. In an attempt to bring the rate of economic growth back to a more desirable level, the British Government has enacted several measures.

The most significant was the devaluation of the pound sterling by 14.3 percent. The devaluation is expected to improve the balance of payments (following a shift of resources into the export sector) by late 1968 or in 1969. However, the full success of the devaluation will depend not only upon the strength of foreign demand, but also on the ability of internal austerity measures to prevent a wage-price spiral.

Other West European countries devaluing their currencies in 1967 were Finland, Denmark, Spain, Ireland, and Iceland. Finland's devaluation preceded that of the United Kingdom and was undertaken in an attempt to increase exports of forestry products, for which prices on the world market have declined in recent years. Denmark depreciated its currency due to a traditional trade link with the United Kingdom, and because agricultural exports have lagged in recent years. Spain's devaluation was complemented by internal austerity measures intended to check inflation and improve the balance of payments.

Generally, the West European countries are poised for recovery in 1968. However, problems of capital shortages, unemployment, and inflationary pressures exist in various countries and may be troublesome. Also, measures taken by the United States to decrease capital outflow may tend to dampen economic recovery in Western Europe. Nevertheless, the expected recovery in West Germany should have an effect throughout the EEC, particularly in France where exports declined in 1967 and unemployment was con-

sidered high, and in Belgium and Luxembourg. Italy is likely to continue enjoying healthy, noninflationary growth during 1968. Productivity has risen faster than wages and the balance of payments is in surplus. In the Netherlands the foreign trade and balance-of-payment positions appear favorable for 1968; increases in outlays for plant and equipment should have an expansionary influence. In Greece, stabilization measures undertaken by the new government appear to have been effective. Some increase in tourism, which declined during 1967, is likely during 1968.

The outlook for 1968 is favorable for the Scandinavian economies. Denmark and Finland should benefit from the effects of devaluation. Denmark has enacted monetary and fiscal measures to curb excessive domestic demand and to restrain the inflationary trends which frequently reappear during periods of expansion. Sweden is undergoing rapid structural changes, and authorities are optimistic that the economic sluggishness has passed.

The rate of growth in GNP (real terms) for Western Europe should approximate 4 percent in 1968 if current trends continue. Trade will continue to increase within EFTA and EEC. A customs union for the EEC will be complete for all goods on July 1, 1968.

AGRICULTURAL PRODUCTION

Western Europe experienced a marked increase in agricultural production in 1967 as shown by the following indexes (1957-59 = 100):

^{1/} Revised series computed by the Economic Research Service using regional commodity production data and regional price weights.

<u>Year</u>	<u>Total</u>	<u>Per Capita</u>
1962	114	110
1963	117	111
1964	116	109
1965	118	110
1966 preliminary.	119	110
1967 estimated . .	126	116

Excellent weather was the key factor in the sharp increase in agricultural output in 1967. Advancing technology and increased use of nonfarm inputs also contributed to the increase in agricultural output in 1967, as in recent years.

Total grain production in Western Europe was of record proportions: almost 118 million tons ^{2/} in 1967, compared with 103 million tons in 1966. ^{3/} Substantial increases in output were realized in wheat, barley, oats, and rye; output of corn for grain declined slightly. The area sown to all grains increased only slightly in 1967. Thus, higher or record yields were primarily responsible for the increase of nearly 15 percent in total grain production. Grain output in 1967 increased in every country of Western Europe.

Wheat production in 1967 was 47 million tons, over 7 million tons or 18 percent greater than the relatively small crop in 1966. The area sown to wheat in 1967 was about the same but high yields, averaging 27 quintals per hectare, pushed the crop to a record level. Output in France, Western Europe's largest producer, showed excellent recovery from the poor crop in 1966. Production increases in 1967 were recorded in every West European country except Greece.

^{2/} Tonnages in this report are metric tons.

^{3/} For statistics on the production and area of selected crops in Western Europe, see table 4 (in appendix).

Rye production was over 5.4 million tons in 1967, up more than one-tenth from the relatively poor crop in 1966. West Germany, which usually produces over half of the rye in Western Europe, increased output by 17 percent.

Western Europe produced a record crop of more than 37 million tons of barley in 1967, 17 percent above the previous record crop of 1966. Most of the increase in barley output was also due to higher yields. Western Europe's major producers--France, the United Kingdom, West Germany, and Denmark--had a combined increase of more than 4 million tons, or 75 percent of the total increase in output.

Production of oats, rice, and mixed grains was up in 1967. A small increase in acreage, plus increased yields, pushed the oat crop to a level 12 percent above that in 1966.

Corn production has been estimated at 10 million tons. A sharp decline in French corn production was largely offset by increases in output in Italy, West Germany, and Spain.

The 1967 potato crop in Western Europe was about 63 million tons. Although the area planted to potatoes continued to decline, higher yields resulted in a crop somewhat above that of 1966. Grains are gradually replacing potatoes in the cropping systems because fewer potatoes are being used for livestock feed or food. Almost the entire increase in potato production came in the EEC countries, as output in the other countries of Western Europe as a whole remained near the 1966 level.

The sugarbeet crop was almost 65 million tons in 1967, up 5 percent from that in 1966. The EEC countries accounted for about 80 percent of the total increase in sugarbeet output in Western Europe, with most of the

increase occurring in the Netherlands and Belgium.

Cotton production in Western Europe totaled 163,000 tons in 1967, down 11 percent from the good 1966 harvest. Production was up 9 percent in Greece but declined 27 percent in Spain due to a reduction in area.

Western Europe produced 275,000 tons of tobacco in 1967. This was 10 percent above the small 1966 crop. Output in both Spain and Greece increased sharply in 1967, due largely to expanded area in Spain and to higher yields in Greece.

Olive oil production in Western Europe in 1967 was about equal to the 1 million tons produced in 1966. A sharp decrease in output in Spain due to an "off-year" in the biennial cycle for olives and a prolonged drought was offset by increases in Italy, Greece, and Portugal.

Production of fruit in Western Europe was down from 1966. The apple crop was up almost 10 percent in 1967, with significant increases in West Germany and France and marked decreases in Italy and the United Kingdom. The West European pear crop was down approximately 10 percent in 1967, largely because of a decrease in Italy from the excellent crop in 1966. The citrus crop was also somewhat less than the good crop in 1966, due largely to a smaller harvest in Spain.

Red meat production increased significantly in Western Europe in 1967. ^{4/} Beef and veal production continued to rise in most countries, with major increases in France, Italy, and Ireland. Pork production rose to

^{4/} For statistics on the production of principal livestock products in Western Europe, see table 5 (in appendix).

a record 7.6 million tons following 2 years of nearly stable production.

Poultry meat production continued its uptrend in 1967. Competition is keen and the economies achieved by large-scale enterprises are necessary to compete successfully in most markets. In the EEC countries, supplies are plentiful and prices are low relative to the Community's price structure.

Dairy products continue to be in surplus in Western Europe. Milk production rose again in 1967 and exceeded 112 million tons. Except in the United Kingdom (a large importer), cheese, nonfat dry milk and butter production has been excessive and surpluses in some countries have become a critical problem.

AGRICULTURAL TRADE IN 1966

Western Europe's trade in agricultural products continued its uptrend in 1966. Agricultural imports rose nearly 6 percent over the 1965 level to \$22.7 billion--about one-fourth of Western Europe's total imports. Imports of fruit and vegetables approached \$4 billion in 1966, and imports of cereals and cereal preparations slightly exceeded \$3 billion. Imports of live animals, meat and meat preparations, and dairy products and eggs totaled more than \$4 billion for the second consecutive year.

Agricultural exports in 1966 rose 5 percent from the preceding year to \$9.4 billion--more than one-tenth of total exports. Fruit and vegetables, with sales of \$1.8 billion, continued to be the leading agricultural export category, followed by meat and meat preparations, at \$1.4 billion. Exports of dairy products and eggs, cereals and cereal preparations, and beverages exceeded \$1 billion each in 1966.

In 1966 the United Kingdom continued to be the leading agricultural importer, with im-

ports valued at \$5.7 billion--slightly more than one-fourth of Western Europe's total farm imports. Imports of live animals, meat and meat preparations, and dairy products and eggs by the United Kingdom amounted to \$1.7 billion. Imports of fruit and vegetables were valued at \$0.9 billion.

France was the leading West European agricultural exporter in 1966. The value of agricultural exports by France rose more than 7 percent in 1966 to \$1.9 billion. Grains comprised nearly one-third of France's agricultural exports. Dairy products and eggs were next in importance at \$239 million.

The value of U. S. agricultural exports to Western Europe in 1966 rose more than 10 percent from the preceding year to a level of \$2.6 billion. Feed grains, oilseeds and oilseed products, and tobacco accounted for nearly two-thirds of total U. S. agricultural exports to the region. U. S. feed grain shipments to Western Europe rose 6 percent from the high level in 1965 to \$740 million in 1966. Sales of U. S. oilseeds and oilseed cake and meal amounted to \$622 million, an increase of more than 25 percent from the value in 1965 and 50 percent above the 1964 level. The rapid increase in imports of U. S. animal feedstuffs, particularly soybeans and oilseed cake and meal, is the result of increased production of meat in Europe to satisfy the growing internal demand for these products as well as increased use of concentrates in livestock rations.

Exports of U. S. tobacco to Western Europe in 1966 rose more than one-third over the 1965 level to \$342 million. Most of this gain was in exports to the United Kingdom, which increased 43 percent to reach \$136 million, and to West Germany, which rose to \$84 million--roughly one-third higher than in 1965.

The value of some U. S. agricultural exports to Western Europe declined sharply in

1966. U. S. exports of dairy products dropped from a low level of \$42 million in 1965 to only \$6 million because of increased production in Europe and decreased production and stocks in the United States. The value of U. S. exports of animal fats and oils at \$68 million in 1966 was one-fifth lower than in 1965. Demand for these fats and oils from the United States has been decreasing because of increased production in Western Europe and increased use of vegetable oils. Imports of U. S. cotton continued to decline for three reasons: a recession in the textile industry in some European countries, increased competition from other cotton exporters, and competition from man-made fibers. Exports of U. S. cotton, at \$105 million in 1966, were 10 percent lower than in 1965 and considerably less than half their value in 1964.

OUTLOOK

Economic growth in Western Europe in 1968 is expected to show some recovery from declines evidenced in 1967. Increases in investments, government economic expansion programs, and relatively strong consumer demand are expected to bolster economic growth in a number of countries. The economic performance of West Germany, Italy, France, and the United Kingdom will be the key to overall economic progress in Western Europe.

Western Europe is deficit in hard and durum wheat. Imports of such wheat from the United States are likely to be slightly larger in 1967/68 than in 1966/67 due to increased availability and lower prices. However, the United States will face keen competition from other suppliers, notably Argentina and Canada.

Soft wheat production in Western Europe is more than adequate to meet domestic requirements. France, Greece, Spain, and Austria had surplus soft wheat supplies in

1967, and some disposal problems have developed. A lack of export markets could result in substantial use of denatured wheat for livestock feeding, cutting into the import requirement for feed grain.

Fall sowing of wheat in 1967 was favored by generally good weather. Germination was reported fair to good in the United Kingdom and France. The winter wheat acreage will probably be slightly higher than that planted in 1966, due chiefly to expansion by both France and the United Kingdom.

Production of feed grains was at a record level in 1967. Efforts to expand feed grain production in Western Europe will continue in 1968, particularly in France, Spain, and Italy. The large crop in 1967 led to a decline in U. S. feed grain exports to Western Europe during July-November 1967. In addition, the United States faced keen competition--particularly in corn--from other exporters. Record livestock numbers in Western Europe, however, are a positive force affecting feed grain imports. The influence of large livestock inventories, particularly hogs and poultry, is reflected in the continued expansion of U. S. exports of soybeans and soybean meal to Western Europe. Imports of soybeans and soybean meal from the United States in 1967/68 are expected to reach a new high for the seventh consecutive year.

Cattle numbers for the whole of Western Europe may tend to stabilize somewhat in 1968. The foot-and-mouth disease epidemic curtailed the expansion of cattle numbers in the United Kingdom. Data on France and West Germany point to a slight decrease in cattle numbers in 1968. Cattle numbers have declined sharply in the Scandinavian countries but are not believed to have changed much in Ireland, Italy, and Belgium.

Beef import requirements will increase in traditional importing countries, since efforts

to expand production are not keeping pace with demand.

Surplus production of dairy products will continue to be a problem in 1968, particularly in the EEC. Milk is being diverted to the production of butter, nonfat dry milk, and cheese, and stocks of butter and nonfat dry milk are large.

Pork production is at a high level in Western Europe. A good supply situation is expected to persist at least throughout the first half of 1968. Western Europe's major hog producer--West Germany--is expecting some expansion over 1967. Italy is still rebuilding

herds after the 1967 swine fever epidemic. Poultry meat production in Western Europe is expected to increase in 1968 despite severe price declines and a market glut in some countries in 1967.

Trade concessions received by the United States in the Kennedy Round negotiations may boost exports of such agricultural products as fruit and vegetables, tobacco, and variety meats. Emphasis on the production of longer staple varieties of cotton in the United States will improve the competitive position of the United States vis-a-vis other cotton exporting countries and help dampen the substitution of synthetic for natural fibers.

EUROPEAN ECONOMIC COMMUNITY

ECONOMIC SITUATION

Members of the European Community are looking to 1968 with confidence--economic output is expected to increase 4 percent at constant prices, compared with the low rate of 2.5 percent in 1967. The gradual recovery in domestic demand since mid-1967, particularly noticeable in the Federal Republic of Germany (West Germany), points to an increase in industrial output and a reduction in unemployment. A German economic upswing should stimulate the economies of other EEC countries through its booster effect on intra-Community trade. The introduction of a value-added tax system in Germany on January 1, 1968, may dampen German import demand, however.

Prospects for continued economic expansion are favorable in Italy, which led the EEC in 1967 with a 5.5 percent growth of GNP. Also, the Netherlands is anticipating an upturn from a mild recession. In Belgium, there are indications that the 2 percent growth in GNP in 1967 will rise to at least 3 percent in 1968. In France, the Government is taking

steps to reactivate the sluggish economy and authorities are hopeful of raising the GNP growth rate from 4.2 percent in 1967 to at least 5 percent in 1968. Over \$650 million will be pumped into the economy through measures designed to stimulate construction, capital investment and, indirectly, private consumption. The extension of the value-added tax to retail trade and increases in social security contributions may tend to curtail consumption, however. The performance of French business after the Kennedy Round tariff reductions and the elimination of intra-EEC tariff duties in July 1968 will be the key to French emergence from the 1967 trade slump.

It is unlikely that the British devaluation and American balance-of-payments measures will have much effect on trade with the Community before the latter part of 1968.

AGRICULTURAL PRODUCTION

Agricultural production in the EEC rose sharply in 1967. Both wheat and feed grain production were at a peak. Excellent harvests

larger wheat crop than in 1966. However, when output in 1967 is related to the 1965 crop, only West Germany and the Netherlands had larger crops.

Wheat area in the EEC totaled 9.7 million hectares in 1967, the lowest since 1956. But yields per hectare were unusually high, as seen below:

The EEC countries each had their highest yield since 1950. Extremely favorable weather was the major factor responsible for the record 1967 wheat yields. It is unlikely that heavier applications of fertilizer or use of improved varieties were responsible for yield increases of this magnitude within a single year.

1964-65 average. However, 1967 yields per hectare were generally above earlier levels (see page 9 for barley) which contributed significantly to production increases. Barley is the major feed grain in all EEC countries except Italy.

Potato production increased by almost 2 million tons over 1966 to 40 million tons despite a 5 percent decline in area. West Germany, the major potato producer in the EEC, accounted for almost two-thirds of the increase in production. The Netherlands was the only member country whose production fell below 1966.

Sugarbeet production is estimated at 45 million tons. Belgium and the Netherlands expanded output sharply while France experienced a decline. Sugar content of the beets is reported to be below the 1966 level.

at 72 million tons (cow's milk). Although more milk was diverted to cheese production, the EEC's burdensome butter stocks continued to grow. Consumer and export subsidies for selected dairy products have been increased, but the problem persists. The EEC is facing a difficult situation in attempting to bring milk production more in line with consumption. Many small farmers are highly dependent on dairying; any cut in price or imposition of quantity controls would be quite unpopular. Efforts to encourage beef production in place of milk production have been largely unsuccessful. Price support measures for dairy products are a growing financial burden to the European Agricultural Guidance and Guarantee Fund.

AGRICULTURAL TRADE IN 1966

Imports and Exports-1966: Agricultural exports by EEC countries (including intra-EEC trade) exceeded \$5.7 billion in 1966, a 3 percent increase over 1965. France, the major exporter (\$1,864 million), was followed closely by the Netherlands (\$1,758 million). Other member countries ranked as follows: Italy (\$953 million), Belgium-Luxembourg (\$624.1 million), and West Germany (\$522 million). Although all countries increased their agricultural exports over 1965, France was responsible for nearly three-fourths of the overall increase. Agricultural exports had averaged about 11.5 percent of all EEC exports since 1960.

Agricultural exports by EEC countries totaled only \$3,461 million in 1960, so there has been a 65 percent increase over a 6-year period. In 1966, as in previous years, the EEC's major agricultural exports were fruit and vegetables (primarily from Italy and the Netherlands), cereals and cereal preparations (primarily from France), dairy products and eggs (primarily from the Netherlands and France), and meat and meat preparations

(again primarily from the Netherlands and France).

Agricultural imports by the EEC countries reached a record high of \$12.9 billion in 1966. Agricultural imports rose 7 percent above the previous year. West Germany was by far the major importer (\$4,987 million), followed by France (\$2,771 million) and Italy (\$2,578.4 million). Agricultural imports by the Netherlands (\$1,340 million) and Belgium-Luxembourg (\$1,227 million) were each about one-fourth those of West Germany. All member countries increased their agricultural imports from the 1965 level. Agricultural imports as a share of all imports continued to decline, accounting for 24 percent in 1966 compared with 30 percent in 1960.

Commodities imported in 1966 by the EEC countries (including intra-EEC trade) and valued at over a billion dollars were: fruit and vegetables (\$2,198 million); natural fibers (\$1,750 million, of which raw cotton was \$615 million); cereals and cereal preparations (\$1,748 million, of which feed grains were \$1,202 million), meat and meat preparations (\$1,065 million); and coffee, tea, cocoa, spices, etc. (\$1,041 million). Commodities for which import values ranged between \$500 million and \$1 billion were: oilseeds, oilnuts, and oil kernels (\$833 million, of which soybeans was \$341 million); animal feeds (\$787 million, of which oilseed cake and meal was \$451 million); hides and skins (\$565 million); dairy products and eggs (\$557 million); and animal and vegetable oils and fats (\$536 million). West Germany was the major importer of all these commodities except feed grains and natural fibers--which were imported most heavily by Italy.

Trends in Intra-Community Trade: One question of major interest to agricultural exporting countries is the impact of the Common Agricultural Policy on trading patterns. Some

people reason that removing trade barriers between member countries and establishing a common external tariff, or variable-levy system, would lead to reduced imports from nonmember countries. The major factor expected to affect the degree of trade diversion would be the level of target prices set by the EEC for the various agricultural commodities. An opposite viewpoint is that economic expansion would result from a common market, thus raising consumer demand and stimulating imports from nonmember countries.

It is still probably too early to judge the ultimate impact of the EEC's Common Agricultural Policy on nonmember country trade. Prices of some agricultural commodities have only recently been harmonized among member countries. Other commodities are still awaiting price harmonization. Common transportation policies, tax policies, and social policies have yet to be fully resolved. Harmonization in these areas will also have an impact on intra-Community trade in agricultural commodities.

Table 1 shows intra- and extra-Community trade developments between the 1958-60 and 1964-66 periods for the regulated agricultural commodities. Although the Treaty of Rome became effective in 1958, a Common Agricultural Policy for the EEC was not implemented until 1962. Market regulations for a number of the agricultural commodities were not established for a considerable time after 1962.

The only commodity in Table 1 which showed a decline in total trade and both intra- and extra-Community trade was eggs. Sharp expansion in egg production in West Germany, the major importer in the Community, has curtailed Common Market trade in this commodity.

Intra-EEC trade has expanded at a much faster rate than extra-EEC trade for all commodities showing an expansion in trade.

Commodities with the fastest growth in intra-EEC trade are cereal and cereal preparations; cattle, beef, and veal; hogs and pork; and poultry and poultry meat. These shifts in trading patterns are the result of economic integration behind high protective walls.

U. S. - EEC Agricultural Trade: Common Market farm exports to the United States in 1966 were less than 5 percent (\$281 million, f.o.b.) of its total agricultural exports. The following commodities were the major export items to the United States: meat and meat preparations (\$50 million), wine (\$49 million), crude animal and vegetable materials (\$34 million), fruit and vegetables (\$33 million), and dairy products and eggs (\$28 million). The Netherlands was the leading exporter (\$89 million) to the United States followed by Italy (\$67 million), France (\$66 million), Belgium-Luxembourg (\$31 million), and West Germany (\$29 million).

U. S. agricultural exports to the EEC amounted to \$1.6 billion in 1966, 23 percent of total U. S. agricultural shipments. In 1957, our agricultural exports to members of the Community totaled \$1.1 billion.

The value of U. S. agricultural exports to each EEC member country in 1966 was as follows: West Germany, \$495 million; the Netherlands, \$494 million; Italy, \$242 million; Belgium-Luxembourg, \$185 million; and France, \$148 million. ^{5/} These figures represent an increase from 1965 of nearly 6 percent, with larger export to all countries except Italy.

Major U. S. exports to the EEC include wheat, feed grains, oilseeds, oilcake and meal,

^{5/} These figures do not include the value of commodities transshipped through Canada nor are they adjusted for transshipments between EEC countries or for shipments from EEC countries to nonmember countries.

Table 1.--Trends in imports of regulated agricultural commodities: Intra- and extra-EEC, averages 1958-60 and 1964-66

Commodity	Average 1958-60			Average 1964-66			Percentage change		
	Intra- EEC	Extra- EEC	trade	Intra- EEC	Extra- EEC	trade	Intra- EEC	Extra- EEC	trade
	Million dollars			Million dollars			Percent		
Cereal, cereal preparations, etc.	808.5	104.2		912.8	1,200.2	350.7	1,550.9	48.4	236.6
Rice	36.6	5.3		41.9	43.1	8.5	51.7	17.8	60.4
Fruit and vegetables, fresh and frozen	344.6	260.2		604.8	528.0	486.1	1,014.1	53.2	86.8
Wine	322.0	54.2		376.2	219.4	111.7	330.9	-32.0	106.1
Cattle, beef, and veal	213.2	60.9		274.1	521.1	189.7	710.8	144.4	211.5
Hogs, pork, etc.	106.9	57.4		164.3	206.0	171.8	377.7	92.7	199.3
Poultry, poultry meat, etc.	47.4	35.8		83.2	58.9	101.2	160.0	24.3	182.7
Milk products	100.7	97.4		198.1	156.1	247.9	404.0	55.0	154.5
Eggs	101.7	110.1		211.8	32.5	71.9	104.4	-68.0	-34.7
Total	2,081.6	785.5		2,867.1	2,967.9	1,739.5	4,707.4	42.6	121.5

Data may not add to totals due to rounding.

Source: (14).

tobacco, and cotton. With the exception of cotton, exports of these commodities exceeded 1965 levels. A number of other commodities of a lesser value than cotton but also showing a decline from the previous year were fruit and preparations, vegetables and preparations, animal fats and oils, vegetable fats and oils, hides and skins, dairy products, poultry meat, and nuts and preparations.

U. S. agricultural exports to the EEC for the July-November periods of 1964-67 are presented in Table 2. Total exports in July-November 1967 were running about 10 percent below the comparable period in 1966. The largest absolute decline from July-November 1966 was in feed grains (over \$16 million) followed by fruit and vegetables (nearly \$12 million). As mentioned earlier, the EEC had excellent harvests in 1967 of both these commodity groups. Other commodities running substantially below the July-November 1966 export levels (with declines in parentheses) include cotton (\$8.5 million), tobacco (\$6.7 million), hides and skins (\$4.8 million), tallow (\$4.4 million), variety meats (\$4.1 million), vegetable oils (\$3.6 million), and poultry (\$3.4 million). Commodities with major dollar gains from the July-November 1966 period (with gains in parentheses) are soybeans (\$7.5 million), rice (\$2.9 million), and wheat (\$2.4 million).

DEVELOPMENTS IN COMMON AGRICULTURAL POLICY

Farm price policy in the European Economic Community moved to the stage of direct Community control in 1967, beginning with a common market organization and common prices for grains, pork, eggs, poultry, and oilseeds on July 1, 1967. A Community-wide market now exists in which about half of the farm products produced have single target prices. For these products, levies on trade between the six Common Market countries

have been eliminated and levies on imports from nonmember countries and refunds on exports--as fixed by the European Commission--are being uniformly applied. Prices for other commodities will be in a transitional phase through July 1, 1968, when a single price level for each product is scheduled to become effective.

Those common prices fixed by the Council of Ministers, which replace prices fixed by the national authorities (but within Council guidelines), are to be reviewed each year. For tillage crops, prices must be fixed before the autumn sowing or not later than August 1 to influence farmers in their selection of crops and hopefully to make production more responsive to demand.

The establishment of a common organization of the cereal market is especially important, since grains are one of the chief commodities in the agricultural production and trade of the Community (13). ^{6/} An exception to cereal unification is that Italy has 5 additional years to bring its feed grain levies into line with those of other Common Market countries. Italian levies will be \$10.63 per ton below the common EEC levy in 1967/68, \$10.00 below in 1968/69 and 1969/70, and \$7.50 below in 1970/71 and 1971/72. In order to discourage transshipment through Italy, the Italian Government must pay charges on feed grain exports to other member countries equal to the preference allowances on Italian feed grain imports. The six member countries will collect the common levies until 1970, although this function will be handled by the Community thereafter. Ninety percent of these levies must be paid into the European Agricultural Guidance and Guarantee Fund.

^{6/} Underscored numbers in parenthesis refer to items in the Literature Citations, p.48.

Table 2.--U.S. agricultural exports to the European Economic
Community: Value by commodity, July-November 1964-67

Commodity	July-November			
	1964	1965	1966	1967
----- <u>-1,000 dollars</u> -----				
Variable-levy commodities: <u>1/</u>				
Feed grains	150,761	237,626	192,759	176,369
Rice	3,180	4,325	7,471	10,423
Rye	1,287	998	2,582	1,372
Wheat	14,998	43,645	47,319	49,737
Wheat flour	640	522	610	467
Beef and veal (excluding variety meats) and cattle	726	1,179	450	278
Dairy products	24,322	16,977	475	420
Lard <u>2/</u>	759	656	441	849
Pork (excluding variety meats) and hogs ...	220	44	173	134
Poultry and eggs:				
Live poultry	331	646	572	556
Broilers and fryers	3,898	3,055	2,561	62
Stewing chickens	2,130	667	130	651
Turkeys	7,294	11,646	9,031	7,704
Other fresh poultry	511	352	170	42
Eggs	623	657	268	336
Total poultry and eggs	14,787	17,023	12,732	9,351
Other	16,224	13,530	14,007	12,249
Total	227,904	336,525	279,019	261,649
Non-variable-levy commodities:				
Canned poultry <u>3/</u>	1,686	1,272	680	447
Cotton, excluding linters	60,864	22,673	31,529	23,049
Fruit and vegetables	43,653	56,113	44,772	32,798
Hides and skins	9,888	12,273	12,190	7,426
Oilcakes and meal	39,922	48,034	61,593	60,684
Soybeans	88,699	101,308	112,715	120,196
Tallow <u>3/</u>	14,680	14,671	15,028	10,658
Tobacco, unmanufactured	47,219	54,703	70,478	63,764
Variety meats, fresh, frozen <u>3/</u>	13,480	14,926	18,808	14,697
Vegetable oils, expressed	8,940	7,111	5,572	2,022
Food for relief or charity	2,263	1,425	2,396	2
Other	39,850	39,092	42,313	31,363
Total	371,144	373,601	418,074	367,106
Total EEC	599,048	710,126	697,093	628,755

1/ Grains, poultry, and pork were subject to variable levies beginning on July 30, 1962; rice, on September 1, 1964; and beef and dairy products, on November 1, 1964. The variable-levy classification is designed to show overall changes in exports rather than to measure the impact of the variable levies.

2/ Lard for food is a variable-levy commodity, while lard for industrial use is bound in the General Agreement on Tariffs and Trade (GATT) at 3 percent ad valorem. U.S. lard is for food use.

3/ Although canned poultry, tallow, and variety meats are subject to variable levies, the import duties are bound in GATT.

Source: (4).

Grain producers in the member countries are protected by a market intervention (support) price. This is roughly 7 percent below the target price and must be paid to grain producers who cannot realize better prices on the market. Intervention agencies, at this point, have very limited experience in managing grain taken over in their price-support operations. During 1968, these agencies will no doubt attempt to improve their resale practices in light of their experiences with the disposal of a record 1967 EEC grain crop.

On September 1, 1967, rice entered the single-market stage with a uniform import levy and export subsidy for the whole Community. The common organization for rice is patterned after the organization for other grains. However, some differences in the regulations do occur since France and Italy are the Community's only rice producers. The Associated African States and those overseas countries and territories that are traditional exporters of rice to the Community are given some trade preference.

In December 1967, a Council regulation was published which established a unified sugar market. This provides a system of uniform prices which will come into effect July 1, 1968. A target price, representing the desired return to the sugar manufacturer, is set at \$22.35 per 100 kg. for white sugar in 1968/69; target prices for later years will be set before August 1 preceding the marketing year. The above target price applies to the Community area with the greatest surplus (northern France), with prices being derived for other areas according to what is termed "natural price formation."

The regulation also contains a \$21.23 intervention price for white sugar and intervention measures for raw cane sugar and, until 1970, for raw beet sugar. There is a

minimum price which sugar manufacturers will be obliged to pay for beets needed to meet an assigned production quota.

The common sugar market is presently in a transitional period. Each member country was assigned a production quota for 1967/68. After the 1974/75 season, price guarantees will no longer be tied to national quotas and, theoretically, there will be production in those areas of the Community with the greatest comparative advantage.

Variable levies, under the current regulation, are calculated daily for imports of white sugar, raw sugar, and molasses. The levy on white sugar forms the basis for levies on other forms of sugar. Provisions have been made for export subsidies designed to make prices of Community-produced sugar competitive in world markets.

Early in 1967, the Commission submitted to the Council its proposals for a common agricultural policy for leaf tobacco, reform of tobacco monopolies, and tobacco excise tax harmonization. The common measures for raw tobacco would feature price incentives in the form of deficiency payments, intervention purchases, export subsidies, and import embargoes in the event of market disturbances (most likely in the form of excessive stocks of domestic tobacco).

The Community imports approximately 65 percent of its tobacco needs. Furthermore, the cost of unmanufactured tobaccos imported from nonmember countries is lower than the cost of EEC tobaccos, which are generally of lower quality. To offset the higher prices of domestic tobacco, a subsidy for tobacco purchased from EEC farmers will be paid to manufacturers to reduce their actual unit cost to slightly below the world price for comparable grades. The subsidy will be fixed yearly and will take into account the average

price of baled tobacco originating both within and outside the Community during the preceding marketing year. Under the proposals, each year a basic norm price and a basic intervention price for leaf tobacco will be set for producers. The intervention price or minimum price assures growers of an income at least equal to that received prior to establishment of the common market organization. The market conditions for each variety of tobacco will determine whether growers can receive the norm price. Prices of the better tobaccos will likely exceed the intervention price. If the production of certain varieties of tobacco becomes excessive, the Council of Ministers may limit or reduce the intervention prices and the buyer premium.

Included in the proposed tobacco regulation is a harmonized pattern of excise duties to aid in the creation of a more competitive market. Rules are also added which would insure that the manufacturer is free to choose his product's selling price, without manipulation by tobacco monopolies. Although France and Italy are reorganizing their national monopolies in manufactured tobacco, the goal of a free market is not expected to be reached until at least 1970. If this proposal is adopted, the Member States operating monopolies will initiate on July 1, 1968, a series of measures designed to free the trade in manufactured tobacco.

The markets for olive oil and certain fruits and vegetables were unified in the early months of 1967. Later in the year the Commission submitted a proposal to the Council supplementing the previous common policy measures for wine--a proposal for table wines--the most important item in European wine output. A single, Community-wide market will not be realized for wines until 1970.

The common market for eggs and poultry began on July 1, 1967; however, a common

system for grading eggs was not applied until the start of 1968. Also, some barriers still exist between member countries and certain taxes and fees may still be charged; these obstacles will have to be removed before a completely free poultry and egg market is achieved.

Early in 1967, the EEC Commission submitted a draft regulation to the Council designed to facilitate the movement towards a common organization of the market for inedible horticultural products (flower bulbs, live plants, cut flowers, etc.). Proposed are quality standards and provisions on product competition. The markets for milk and milk products and beef and veal are to be unified on April 1, 1968.

All EEC prices are necessarily subject to revision. For example, the Council of Ministers of the European Communities, in October 1967, revised prices of certain basic agricultural commodities in an attempt to: (1) influence the patterns of production and (2) raise incomes of farmers (9). Target prices of corn and barley have been raised while wheat prices remain the same, thereby encouraging the production of feed grains and the feeding of wheat to livestock. This action is likely to have an adverse effect on the growth of imports of feed grains into the EEC from outside countries. In addition to cereals, the Council in October adjusted or established common prices for pork, olive oil, and beef and veal.

The financial provisions of the EEC's Common Agricultural Policy are administered by the European Agricultural Guidance and Guarantee Fund. The Guarantee Section of the Fund finances price-support operations and subsidies on exports to nonmember countries. An increasing proportion of these costs is being paid by the Fund, and since July 1, 1967, the Fund has assumed complete responsibility for

those commodities which are under a common (single) market organization (including milk products and beef and veal--sectors which are in the process of entering the single-market stage). Fund revenues were used to reimburse one-half of the expenses in 1964/65, 60 percent in 1965/66, and 70 percent in 1966/67.

From July 1967 to December 1969, 90 percent of the revenue from levies raised on agricultural imports from nonmember countries will go into the Fund. Direct contributions by the national governments complete the Fund and will be contributed in the following percentages: Germany 31.2; France 32.0; Italy 20.3; the Netherlands 8.2; Belgium 8.1; and Luxembourg 0.2.

The Agricultural Fund's Guidance Section contributes to the financing of approved national measures for structural reform in farming and the improvement of production and marketing conditions. Since each project must be part of a coordinated Community program, the EEC Commission in June 1967 placed before the Council of Ministers a 3-year plan for improving the Community's agricultural structure. Totalling \$672 million, the plan includes 10 programs: land reform; irrigation; drainage; use of marginal land for forestry; fruit and vegetable marketing; structural improvement in the meat, vine products, olive-growing, and dairy industries; and the development of backward agricultural areas. However, annual expenditures under the Guidance Section of the Fund are limited to a ceiling of \$285 million.

Along these lines, a regulation for combining farm marketing activity into producers' syndicates was submitted to the Council in 1967. These producer organizations would direct their members' production and assume responsibility for standardizing the quality of the items marketed. Existing agricultural cooperatives could fill this function if these become directly linked with the production

phase. Membership in the syndicate would be voluntary.

Despite France's refusal to discuss the U. K. application for membership in the EEC and the dissatisfaction this created among most other Community members, no serious disruption of Community progress is anticipated. As noted earlier, uniform price levels will be set for other agricultural commodities during 1968. The elimination of remaining agricultural and industrial intra-Community duties takes place July 1, 1968, with the establishment of the common external tariff. However, a completely integrated market will not be established until harmonization occurs in such areas as tax policies, transportation, and social policies.

OUTLOOK

Economic activity in the EEC is expected to increase in 1968. With this development, increases in disposable income should stimulate consumer demand for foodstuffs with a high income elasticity such as beef and veal. Conversely, the decline in per capita requirements of some lower quality foods such as potatoes and wheat might be accelerated.

Kennedy Round: The member countries of the European Economic Community, bargaining as a unit, were major participants in the Kennedy Round negotiations. The EEC made tariff reductions on more than \$1.6 billion in imports of agricultural products from third countries, including over \$220 million in imports from the United States. Reductions mainly affected products not subject to the Common Agricultural Policy. For CAP commodities (other than grains) Community negotiators proposed to bind at the present level the margin of support representing the difference between EEC threshold prices and prices in world markets. This was not acceptable to the other negotiating countries.

The Community's proposal on grains, which would have limited suppliers to a specified percentage of EEC requirements, also was not accepted. The EEC did, however, agree to participate in negotiating an International Grain Arrangement which contains important pricing and food aid provisions.

Under the Food Aid Convention of the International Grains Arrangement (IGA), the EEC would be committed to contribute 1,035,000 tons of grain (wheat, coarse grains suitable for human consumption, or cash equivalent) annually for a 3-year period. This would be 23 percent of the 4.5 million tons of grain which principal commercial exporters and importers have agreed to supply annually to needy nations of the world. In addition, the EEC agreed to the Wheat Trade Convention of the IGA. This convention sets minimum and maximum prices for major wheats moving in world markets and establishes other guidelines and procedures for achieving stability in world wheat trade.

The EEC did make some concessions during the Kennedy Round on a number of fixed tariff items. Concessions granted in the Kennedy Round are to be phased over a 4-year period beginning January 1, 1968. However, since July 1, 1968, is the date for complete economic harmonization of the Common Market, the EEC decided to make its first and second tariff cuts (40 percent of the negotiated cuts), effective on that date. The three remaining tariff cuts will be introduced on January 1 of 1970, 1971, and 1972. Early in March 1968 it was reported that the EEC was considering a speeded up schedule for the tariff reduction in response to U. S. balance-of-payment problems. Some of the reductions granted by the EEC are mentioned in the following discussion (6).

Major Agricultural Commodities: As a major exporter of a number of temperate

zone commodities imported by the Community, the United States is interested in Community production and trade policies affecting imports, and in the competitive position of the United States vis-a-vis other third-country suppliers.

U. S. dollar sales of wheat to the EEC during the current marketing year are holding at a good level despite last year's bumper crop in the Community. Imports of wheat by the EEC are confined to grades used for blending with local soft wheats in flour milling. The United States should maintain its competitive position throughout the remainder of the marketing year.

Efforts are being made in the Community to increase the production of higher quality wheat. Short-straw varieties of wheat from Washington State and Mexican semi-dwarf varieties are undergoing intensive testing. If varieties suitable for the European climate can be developed, fertilizer application will be increased and improvements in yield and protein content can be expected.

France is increasing production of durum wheat. Area in 1967 increased about 24 percent, to 77,000 hectares. Producer subsidies are paid by the EEC on durum wheat, raising producer prices to \$145 per ton.

The new French hard wheat variety ("Rex") has not been accepted by millers as a substitute for U. S. and Canadian hard wheat, which are lower in price.

The EEC experienced excellent fall seeding weather in 1967 and the winter wheat area is estimated to be somewhat above the previous year. However, winter weather was quite severe in some parts of the Community, particularly France, and may have damaged the winter grain crops.

The Community entered 1967/68 with record feed grain stocks. In addition, soft wheat production was a record. The strong wheat supply position of many traditional importing nations led to low international market prices and could encourage substitution of wheat for imported feed grains in the EEC. The quantity of wheat used for feed could expand as a result of increased movement through normal marketing channels or through denaturization--a process which renders wheat unfit for human consumption. However, information available at the beginning of 1968 showed that the amount of wheat which was denatured was running below the previous year. This development is attributed to the good quality of the 1967 wheat crop.

Most Community farmers also entered the winter with reasonably large supplies of forages. One exception was in southern France, where severe drought cut forage supplies and led to forced sales of livestock. The Netherlands also experienced an unusually dry summer which somewhat reduced winter forage supplies. U. S. feed grain exports to the EEC in 1967/68 may be below the level of the previous two marketing periods. Although cattle, hog, and poultry inventories are large, proportionately larger domestic feed grain supplies are also available. Furthermore, record corn harvests in other major exporting nations will provide keen competition for U. S. exports.

The July 1, 1967, harmonization of grain prices in the EEC (with the exception of Italy) poses additional problems for U. S. agricultural exports (13). Grain is now allowed to move between member countries free of tariff, levy, or other restriction. If these common policies work effectively to further increase grain production and intra-Community grain trade, they will have a negative impact on imports from nonmember countries.

Another factor expected to have an impact on feed grain production and use of wheat for feed in the EEC is the increase in corn and barley prices effective August 1, 1968 (9). The target price for corn is to increase to \$94.94 per metric ton, 4.75 percent above the current price. For barley, the new target price of \$94.44 per metric ton is 3.5 percent above the present price. Since wheat prices are unchanged, producers will have a price incentive to switch from wheat to feed grain production for income optimization. Furthermore, a comparison of these new target prices for corn, wheat, and barley with existing target prices indicates that the new prices are slightly more in line with relative feeding values. This adjustment in the wheat/feed grain price ratio may prompt greater use of wheat in livestock rations.

Excellent weather throughout the EEC permitted the fall sowing of feed grains to progress on schedule in 1967. Some expansion over 1966 is estimated in the winter barley area. If spring planting conditions are favorable, some overall expansion in area planted to feed grains is expected.

U. S. rice exports to the EEC are increasing impressively during the current trade year. A 10 percent increase in rice acreage and a continuing uptrend in yields gave the United States a record crop in 1967. France and Italy also harvested good crops in 1967, but output is primarily of the short-grain variety and consumers in the EEC prefer long-grain rice. With a strong world-wide demand for rice, the United States should remain a strong supplier in the Community market during the current marketing period.

Community imports of U. S. soybeans and oilcake and meal during 1967/68 are expected to be significantly above the 1966/67 level. This expansion is anticipated because of high livestock numbers in the EEC, par-

ticularly hogs and poultry, and because of the strong supply position of the United States.

Soybean meal is an important ingredient in the EEC's expanding mixed feed industry. Imports of U. S. soybeans into the Federal Republic of Germany could be even higher if a greater demand could be found for the oil produced when crushing the beans (1). In 1966, U. S. oilseeds and oilcake and meal shipments to the EEC were distributed as follows (in percentages): West Germany, 34; Netherlands, 33; Italy, 12; France, 11; and Belgium-Luxembourg, 10. Soybeans and soybean cake and meal are imported into the Common Market duty-free. The EEC, under the GATT, has bound itself to continue this duty-free treatment.

U. S. cotton exports to the EEC are expected to continue facing significant problems throughout the remainder of 1967/68. The reduced U. S. supply of longer staple cotton, which EEC importers prefer, is one problem. Another is the stiff competition from man-made fibers in the Common Market. A third factor is the competition EEC textile manufacturers face from imports. Finally, the economic situation in the EEC, particularly in West Germany, has dampened consumer demand.

A somewhat more optimistic view for U. S. cotton exports to the Community may be warranted for 1968/69, as EEC economic activity increases. Also, the U. S. cotton program for 1968 emphasizes production of longer staple varieties.

U. S. tobacco exports to the Community during July-November 1967 were behind the previous comparable period but are substantially above similar periods for 1964 and 1965. The good quality of the 1967 flue-cured crop, as well as sanctions on Rhodesian tobacco, will aid in keeping U. S. tobacco exports at a high level in 1967/68.

As a result of tobacco concessions granted by the EEC in the Kennedy Round, the competitive position of U. S. tobacco in the Community should be slightly enhanced. The January 1, 1968, rate on unmanufactured tobacco was an ad valorem duty of 28 percent with a maximum specific charge of 17.2 cents per pound and a minimum specific charge of 13.2 cents per pound. Because of the comparatively high quality and price of U. S. tobacco, it was generally dutiable at the maximum rate. During the Kennedy Round, the Community agreed to reduce the ad valorem duty on tobacco valued at less than \$1.27 per pound from 28 percent to 23 percent, the maximum charge from 17.2 cents per pound to 15 cents, and the minimum charge from 13.2 cents per pound to 12.7 cents.

Another concession received by the United States from the EEC was a 50-percent reduction in the 180-percent duty on cigarette imports. The EEC also reduced the duty on cut tobacco products by 35 percent, with a similar cut to be applied to duties on snuff, powdered tobacco, extract, and sheet "homogenized" leaf (8).

There are general developments however, which are likely to have an unfavorable influence on U. S. tobacco exports to the EEC. One of these developments is that in standardizing the ad valorem duty at 28 percent throughout the Community on January 1, 1968, duties on unmanufactured tobacco were increased over previous levels in all of the EEC countries except West Germany. This increase in duties was pursuant to the EEC-Greece Association Agreement. The internal duty rate was reduced to zero on January 1, 1968. Also, all tobacco from Greece and "quota" tobacco from Turkey became duty-free on the same date. Another possible unfavorable development is the proposed Common Agricultural Policy for tobacco (see page 15).

U. S. exports of fruit and vegetables to the EEC are expected to decline in 1967/68.

Shipments for the July-November period are one-third below levels of the previous period. Prices of U. S. fruit--both deciduous and citrus--are relatively high due to reduced supplies caused by unfavorable weather. Most vegetables are in more normal supply in the United States. However, in 1967 the EEC experienced its second consecutive high out-turn of fruit (both deciduous and citrus) and vegetables.

The EEC granted some concessions on fruit and vegetables in the Kennedy Round. Commodities on which the United States received concessions and the amount of concessions are as follows (7): Dried peas--duty cut by one-half, to 4.5 percent; dried lentils--duty cut by three-fifths, to 2 percent; fresh grapefruit--common external tariff (CXT) cut by half, to 6 percent; raisins--duty cut one-third, to 6 percent; canned fruit cocktail--duty cut from 25 percent ad valorem to 22 percent; canned grapefruit sections--duty cut from 25 percent ad valorem to 20 percent; other selected canned fruit--CXT of 25 percent cut by a few percentage points; grapefruit juice--duty cut by 21 percent, to 15 percent; and dormant bulbs--duty cut one-fifth, to 8 percent.

The value of the EEC's concessions on canned fruits may be limited by the EEC's decision to apply a levy on "sugar added" in canned fruit. Furthermore, the EEC countries are working hard to improve the quality as well as the quantity of deciduous fruit. Funds, both national and Community, are also being spent in Italy to improve citrus production and marketing.

Increased dairy production in the EEC, once the main commercial market for U. S. dairy products, and reduced U. S. supplies have resulted in sharply lower dairy exports to that area. The Community is now surplus in dairy products, particularly butter and nonfat dry milk, and is searching for export

markets of its own. Because of the political and economic implications attached to milk production, the EEC is likely to remain in a surplus position for some time. The United States will not only continue to face a limited market in the EEC, but also will experience pressure from the EEC in the U. S. domestic dairy products market and in export markets outside the Community.

U. S. poultry exports to the EEC during 1967/68 are expected to fall below 1966/67 levels. Substantially increased supplementary levies on turkey halves and turkey parts will have a sharp impact on our trade. Although poultry prices to EEC producers fell sharply in 1967, further output expansion is expected in West Germany, the Community's major importer. Future prospects for U. S. poultry exports to the EEC do not appear favorable.

U. S. exports of various livestock and meat products to the EEC are meeting difficulty during 1967/68. Commodities traded below 1966 July-November levels include beef and veal, pork, hides and skins, tallow, and fresh or frozen variety meats (table 2).

Duty concessions on livestock and meat products, obtained from the EEC in the Kennedy Round, are as follows: variety meats--duty reduced from 20 percent ad valorem to 13 percent; inedible tallow--duty reduced from 2 percent ad valorem to free; and edible tallow--duty reduced from 10 to 7 percent. Duties on hides and skins, casings, and mohair were previously bound in GATT at zero (3).

The EEC is expected to remain a net importer of beef in the foreseeable future. Efforts are being made by the United States to market choice beef in the EEC. Sanitary restrictions are an important problem in developing such a market. For example, West

Germany will not permit imports of beef except in whole carcasses, and Italy will not

permit imports of beef from animals which have been fed hormones.

OTHER WESTERN EUROPE

ECONOMIC SITUATION

Most of the non-EEC countries shared the downturn in the business cycle experienced in nearly all of Western Europe. In the Scandinavian countries, only Norway achieved a growth in GNP of over 5 percent. In Denmark, Sweden, and Finland the rate was about 3 percent. The rates in Spain and Portugal were 5.0 and 4.7 percent, respectively.

The most notable economic event in Western Europe during 1967 was the wave of currency devaluations undertaken by Finland, the United Kingdom, Spain, Ireland, and Denmark. For most of these countries, the currency depreciation was an attempt to reduce growing trade deficits, as well as a result of trade links with the United Kingdom. The devaluation of 14.3 percent by the United Kingdom occurred at a time when the country had experienced its worst trade deficit in 16 years. Austerity measures such as reduced overall public expenditures, cuts in defense spending, and tighter bank rates were introduced concurrently in the United Kingdom. Also, measures were taken to shift resources into export sectors.

Some of the countries which devalued have been undergoing internal strains which have complicated the ability of policymakers to formulate effective overall programs to improve the external balance without increasing unemployment. In Finland, unemployment in 1967 was the highest in 40 years. Nevertheless, inflationary pressure has resulted in a tighter monetary policy. Finnish authorities are hopeful that devaluation will increase exports, and that the higher relative import prices will dampen consumer demand. These

authorities have also asked for voluntary cooperation by labor and management in keeping increases in prices and wages in close relation to gains in productivity.

Unemployment has been troublesome in other countries. Some structural unemployment has occurred, notably in Denmark and the United Kingdom. The unemployment rate in Sweden, although not dangerous, has been increasing and the Government has relaxed certain restrictive measures. In Austria a lower level of investment also has resulted in some unemployment. Switzerland appears to be the exception, undergoing an extremely tight labor situation with virtually full employment.

Inflation continues to be troublesome in many of the non-EEC countries. In Denmark, where wages and production costs have risen faster than in most other countries, the Government has imposed tight fiscal controls and has raised the discount rate to 7 1/4 percent. Consumer prices, which increased about 6 percent in 1967, may rise again in 1968 as further wage increases are anticipated and the cost of imports should be higher as a result of devaluation. Consumption levels may be reduced, however, by the value-added tax. In Norway, some inflation has been noted and higher taxes and tighter credit policies have been imposed. Spain continued to experience severe inflationary pressures in 1967. The rapid rise in the cost-of-living index was due to increases in costs of services, housing and, particularly, food. Certain duties and quotas have been relaxed to prevent a rise in the price of imported foods following devaluation. The main emphasis in Spain will be wage-price controls. The freeze on wages and prices

at pre-devaluation levels, plus the effects of the devaluation, should ameliorate both the inflationary pressure and the trade imbalance, hopefully without adversely affecting economic growth in 1968.

An improvement in the economic situation for the non-EEC countries is expected during 1968. A narrowing of the trade gap in the United Kingdom has already been noted. In January 1968, the trade deficit was \$74 million compared with the record \$374 million in November 1967. This improvement was due to a sharp rise in exports rather than a reduction in imports, since imports have continued to increase.

Other governments have formulated expansionary budgets for 1968. Austria's budget calls for sharply increased public investment. A budgetary deficit, largely financed by heavy borrowing abroad, is forecast. In Portugal, the new 6-year plan (1968-73) calls for total investment to be 50 percent greater than during the preceding plan period with emphasis on agriculture and education. Investments in the new plan will be financed mainly by higher import duties and taxes. Despite some liquidity shortages, Norway plans an expansionary budget in 1968. In Ireland, anticipated growth in construction, fertilizer, and export industries may lead to some buoyancy in the economy as a whole. Export demand has begun to improve in Switzerland and Denmark. The Finnish budget for 1968 also is expansionary, and authorities are hopeful that gains from the devaluation will be diverted to expansion of the export sector. In an attempt to avert inflationary pressures from gains to the export sector and to obtain budgetary revenues, certain export taxes have been imposed.

AGRICULTURAL PRODUCTION

The non-EEC countries of Western Europe had generally favorable weather for agriculture during 1967. Total grain production

was almost 49 million tons, 12 percent larger than the 1966 crop and the 1964-66 average. Most of this increase in grain production was due to higher yields. The total grain area in 1967 was only 3 percent larger than in 1966 and 2 percent larger than the 1964-66 average. Wheat and barley accounted for nearly 80 percent of the total increase in production, with oats contributing much of the remainder.

Wheat production in these countries was a record 15.7 million tons in 1967, exceeding the previous record crops in 1962 and 1965 by 6 to 7 percent. However, the wheat harvest in 1967 was 18 percent larger than in 1966. All these countries except Greece harvested more wheat in 1967 than in 1966. The decline in the Greek wheat harvest was due to a governmental policy of encouraging a shift from wheat to barley production through changes in support prices. The wheat crop in Greece declined by 6 percent in 1967 on an area 8 percent smaller than in 1966.

Four countries accounted for most of the increase in 1967 wheat production: Spain, Sweden, the United Kingdom, and Portugal. With yields exceeding the 1962-66 average by about 15 percent, production in Spain increased by 12 percent to a record level of 5.6 million tons. The United Kingdom harvested almost 3.9 million tons of wheat in 1967, 13 percent more than the relatively small 1966 crop. However, the 1967 crop was still 6 percent smaller than the record 1965 harvest. The largest percentage increases in wheat production in 1967 occurred in Norway, Sweden, and Portugal, due mainly to the extremely poor 1966 harvests in these countries. The 1967 wheat crop in Portugal was only 3 percent above the 1961-65 average; but in Sweden, the crop exceeded the 1961-65 average by one-fourth.

Rye production in these countries totaled 1.5 million tons, 12 percent above the small

crop produced in 1966 but only about 85 percent of the 1961-65 average. Rye area in 1967 remained at about the 1966 level. The 1967 rye crop in Sweden was more than double the very small 1966 crop and Portugal realized a significant increase in rye output. Rye production in Spain was 13 percent smaller than the 1966 harvest.

Feed grain production in the non-EEC countries of Western Europe, which has been increasing rapidly, reached a record 31 million tons in 1967, 2.8 million tons above the previous high in 1966. Barley production reached a record level of 21.4 million tons in 1967, accounting for 70 percent of total feed grain output by these countries. Barley production in 1967 was almost 10 percent larger than in 1966. Output increased in all countries except Ireland. In quantitative terms, increases were largest in the United Kingdom, Spain, Denmark, Greece, and Sweden. Output in Greece was one-third larger than the previous record crop in 1966; output in Spain was about one-fifth larger.

Oat production in 1967 was 13 percent or 700,000 tons larger than the 1966 crop. Sweden and the United Kingdom achieved the largest quantitative increases in oat production; Finland sustained the largest decrease.

Corn production totaled 2.5 million tons in 1967, 6 percent above 1966. Small increases in output in 1967 occurred in each of the major producing countries: Spain, Austria, Portugal, and Greece.

Potato production in the non-EEC countries in 1967, at 2.6 million tons, was about equal to the 1966 crop. Potato area was down 7 percent, with most of the decline in the United Kingdom, but yields were up by a corresponding amount. The crop increased sharply in Portugal and significantly in the United Kingdom and Greece. Austria, Norway,

Sweden, and Ireland harvested smaller potato crops than in 1966. The United Kingdom, Spain, and Austria collectively account for over 60 percent of total production.

Sugarbeet production reached 19.6 million tons, about 650,000 tons above the 1966 crop. The United Kingdom and Spain are the important producers, together contributing almost 60 percent of total sugarbeet production by this group of countries. The sugarbeet crop in 1967 increased significantly in the United Kingdom, Spain, Sweden, and Ireland. Output declined by over 20 percent in Austria and by almost 10 percent in Denmark, largely due to smaller acreages.

Total red meat production in the non-EEC countries of Western Europe increased by 4 percent in 1967 to 5.9 million tons. Output of all types of red meat (except horse meat) increased. Beef and veal production registered the largest gain in 1967, increasing by 8 percent over the 1966 level to 2.2 million tons. Beef and veal output increased in all countries except Portugal and Sweden. The decrease in Portugal was close to 22 percent. Ireland experienced an 81,000-ton (60 percent) increase in beef and veal output in 1967. This extraordinary increase was due to a decrease in usual exports of feeder cattle late in 1966 because of a poor market in the United Kingdom and the EEC. Most of these cattle were fattened in Ireland rather than exported as feeder cattle and were slaughtered and exported to the United Kingdom as carcass beef in 1967. Beef and veal output increased 56,000 tons in the United Kingdom, and 18,000 tons in Denmark, or by 6 and 10 percent, respectively.

Pork production in these countries increased little in 1967. Output totaled 3.0 million tons compared with 2.9 million tons in 1966. This small increase occurred as offsetting changes took place in several coun-

tries. Pork production decreased in the United Kingdom by 25,000 tons (1 percent) and in Ireland by 13,000 tons (10 percent). Output increased in Spain by 84,000 tons (22 percent), in Denmark by 57,000 tons (6 percent), and in Finland by 9,000 tons (12 percent).

Production of mutton, lamb, and goat meat in 1967 registered a small decrease. Output declined slightly in the United Kingdom, Ireland, and Greece.

The United Kingdom was hit by a serious outbreak of foot-and-mouth disease in the fourth quarter of 1967. The number of livestock slaughtered in combatting the disease exceeded 421,000 by February 19, 1968--about 1 percent of total herds. An average of less than 2 new outbreaks per day in late January and early February compared with 43 in November and 22 in December indicates that the epidemic is being brought under control. However, any increase in livestock numbers that had developed during 1967 probably was wiped out by the slaughtering required to eradicate foot-and-mouth disease. The December 4, 1967, ban on meat imports from areas in which foot-and-mouth disease is endemic is scheduled to be lifted for beef on April 15, 1968. The ban on imports of mutton and lamb (the suspected carrier of the disease to the United Kingdom) from Argentina and other South American countries is to be continued.

Poultry meat production in the non-EEC countries was over 10 percent larger than in 1966. Output in Spain increased by almost 30 percent (62,000 tons), continuing the rapid expansion of recent years. The United Kingdom realized an increase of 24,000 tons (6 percent). Production also increased somewhat in Sweden, Greece, Austria, Portugal, Switzerland, and Ireland but decreased 3 percent (2,000 tons) in Denmark.

Production of cow's milk in these countries increased 1 percent in 1967 to slightly more than 40 million tons. Changes in production varied greatly between countries. Sweden experienced a 9-percent (305,000 ton) decrease, while percentage increases in Switzerland (219,000 tons) and in Ireland (203,000 tons) were almost as great. Milk production increased 241,000 tons (2 percent) in the United Kingdom and decreased 100,000 tons (2 percent) in Denmark. Other countries realizing some increase during 1967 were Spain, Austria, Norway, and Greece. Finland and Portugal produced about as much milk as in 1966.

Wool production decreased by 2 percent to about 134,000 tons in 1967. Two-thirds of the decrease occurred in the United Kingdom and the remainder in Ireland.

Production of eggs in 1967 increased almost 2 percent to a total of 31.6 billion eggs. As with poultry meat, the United Kingdom and Spain contributed most (two-thirds) to the production gain. The largest percentage increase (14 percent) was in Switzerland, while small decreases were registered in Denmark and Ireland.

AGRICULTURAL TRADE IN 1966

Total trade by the non-EEC countries of Western Europe continued to increase in 1966 but at a slower rate than in 1965. Total imports in 1966 were up 6.2 percent from 1965 to almost \$41.5 billion; while total exports rose 8.1 percent to \$31.7 billion. Agricultural products in 1966 accounted for nearly one-fourth (over \$9.8 billion) of total imports but only 11.5 percent (almost \$3.7 billion) of total exports. The rate of increase in agricultural imports in 1966 was only about half as large as the increase in total imports while that for agricultural exports kept pace with total exports.

The United Kingdom is by far the major importer of agricultural products among these countries and Denmark is the major exporter.

Agricultural trade of these countries in 1966 was as follows:

Country	Agricultural Imports (c.i.f.)		Agricultural exports (f.o.b.)	
	Total	From the U.S.	Total	To the U.S.
----- Million dollars -----				
United Kingdom.....	5,741	526	654	53
Denmark	461	106	1,130	126
Spain	792	251	521	47
Switzerland.....	720	81	158	16
Sweden	592	81	172	16
Ireland.....	207	46	370	24
Greece	198	33	299	29
Austria.....	384	35	85	3
Portugal.....	244	31	104	10
Norway.....	270	61	73	18
Finland.....	233	24	87	12
Total.....	9,842	1,275	3,653	354

Spain and Switzerland as importers of agricultural products were a distant second and third, accounting for only 8 percent and 7 percent, respectively, of the total. Greece and Ireland imported the smallest value of agricultural products in 1966.

The United Kingdom ranked next to Denmark as the leading exporter of agricultural products, accounting for 18 percent of total agricultural exports by these countries compared with 31 percent for Denmark. Spain was the third-ranking exporter of agricultural products in 1966 with 14 percent of the total, followed by Ireland, 10 percent, and Greece, 8 percent. Norway, Austria, and Finland each accounted for only about 2 percent of total agricultural exports.

On the basis of net agricultural trade, the United Kingdom was also by far the most important importer and Denmark was the major exporter. Switzerland and Sweden were

also important net importers. The only net exporters besides Denmark were Ireland and Greece.

Imports of agricultural products from the United States by these countries in 1966 totaled almost \$1.3 billion, accounting for 13 percent of their total agricultural imports. The United Kingdom accounted for 41 percent of these imports from the United States and Spain for 20 percent. However, the United States supplied only 9 percent of the agricultural products imported by the United Kingdom compared with 32 percent of such imports by Spain. Denmark, Norway, and Ireland each obtained nearly one-fourth of their agricultural imports from the United States.

Agricultural exports from these West European countries to the United States in 1966 amounted to \$354 million, representing 10 percent of their total agricultural exports. Denmark supplied 36 percent of these agri-

cultural exports, and the United Kingdom and Spain supplied 15 percent and 13 percent, respectively. The share of total agricultural exports by each of these countries destined for the United States generally ranged from 8 to 11 percent. However, one-fourth of agricultural exports by Norway in 1966 went to the United States, while Austria shipped only 3 percent of its agricultural exports to the United States.

Five categories of commodities constituted 60 percent of the total value of agricultural imports by this group of countries in 1966. Fruit and vegetable imports, at over \$1.5 billion, represented 15 percent of the total. The United States supplied almost 9 percent of the fruit and vegetables imported. Imports of meat and meat preparations and cereals and cereal preparations each amounted to over \$1.3 billion--more than 13 percent of total agricultural imports. The United States supplied 39 percent or \$514 million of the imports of cereals and cereal preparations but only 2 percent (\$29 million) of the meat and meat preparations. Coffee, tea, cocoa, and spices as a group ranked fourth in importance, accounting for 9 percent or \$910 million of the agricultural imports by these countries. Wool and cotton followed at \$854 million. The United States supplied \$53 million of the \$341 million in cotton imported by these countries in 1966 and almost 10 percent of the \$499 million in animal feed imports, mainly oilseed cake and meal.

Three categories of commodities accounted for a little over half of the agricultural exports by these countries in 1966. Meat and meat preparations provided over 22 percent of the total or \$814 million, with 13 percent of this amount going to the United States. Fruit and vegetable exports were second in importance at \$582 million or 16 percent of the total, with 7 percent of \$41 million being shipped to the United States.

The third category in importance was dairy products and eggs, with exports at \$456 million or 14 percent of total agricultural exports. Exports to the United States in this category amounted to \$25 million. In addition, the United States took \$63 million or 27 percent of the hides and skins exported by these countries and \$24 million, or 2 percent, of the tobacco exports.

Agricultural imports by the United Kingdom in 1966 were only slightly higher than in 1965 but still almost 5 percent less than in 1964. Meat and meat preparations were the most important agricultural import in 1966 with a value of over \$1.0 billion, followed by fruit and vegetables at \$880 million, cereals and cereal preparation at \$621 million, and dairy products and eggs at \$546 million. Compared with 1965, imports of fruit and vegetables increased 9 percent and meat and meat preparations by 2 percent in 1966, while imports of dairy products and eggs and cereals and cereal preparations declined by roughly 5 percent. U.S. agricultural products imported by the United Kingdom included \$210 million in cereals and cereal preparations, \$135 million in unmanufactured tobacco, \$55 million in fruit and vegetables, \$34 million in natural fibers (mainly cotton), and \$20 million in meat and meat preparations.

Agricultural imports by Spain increased sharply during 1965 and 1966, reaching a level in 1966 almost 70 percent higher than in 1964. Feed grains accounted for almost 30 percent of the total and for over half of the increase in imports of agricultural products between 1965 and 1966. The United States supplied over half of all feed grains imported, mainly corn. Oilseeds, nuts, and kernels were the second most important agricultural import by Spain in 1966 at \$94 million, with 84 percent of this total consisting of U. S. soybeans. Meat and meat preparations followed closely as the third major agricultural import by Spain

at \$90 million, with the United States a negligible supplier. Feed grains and soybeans contributed over 80 percent of U. S. agricultural products imported by Spain in 1966. In addition, Spain imported almost \$15 million in oils and fats from the United States and \$12 million in animal feeds, mainly oilcake and meal.

U. S. agricultural trade with the non-EEC countries during the first half of 1967 was not as favorable as during the corresponding period in 1966. U. S. agricultural imports from these countries were up slightly in the first half of 1967 but U. S. agricultural exports were about one-third lower than in the period January-June 1966. Cereals and cereal products and animal feed accounted for most of the decline during the first half of 1967. U. S. cereals and cereal product exports in the latter period were only about half of the value in the first half of 1966, with reduced exports of wheat and corn contributing most to the decrease. U. S. animal feed exports in January-June 1967 were little more than half the value of such exports in the corresponding period in 1966. However, among the principal U. S. agricultural exports to these countries, small increases were registered for cotton, tobacco, and fruit and vegetables in the first half of 1967.

OUTLOOK

A number of the factors which have been discussed in Outlook for the EEC will also have an influence in the non-EEC countries. The expected improvement in economic activity in the EEC countries during 1968 will provide some stimulus to the other countries of Western Europe. The need for quality grades to blend with local soft wheats is an aid to U. S. wheat sales to non-EEC countries. Prospects for U. S. feed grain exports are not bright because of record production of feed grains (particularly barley) in the non-EEC countries and

record corn harvests by major U. S. competitors. Imports of U. S. soybeans and oilcake and meal should continue at a high level because of increasing requirements in the livestock industries of these non-EEC countries.

Results during the first 5 months of the 1967/68 trade year point towards a lower value of U. S. agricultural exports to the non-EEC countries of Western Europe in 1967/68 than during 1966/67. Exports during July-November 1967 totaled \$401 million, almost 8 percent less than the \$435 million exported by the United States to these countries during the corresponding period in 1966. A comparison of the values of U. S. agricultural exports for the 5-month periods from July through November in 1966 and in 1967 shows that U. S. exports to the United Kingdom, Switzerland, Ireland, and Sweden, among others, were significantly smaller in 1967 than in 1966. On the other hand, the value of U. S. agricultural exports to Spain during these 5 months in 1967 was almost one-fifth greater than during July-November 1966.

Prospects for U. S. agricultural exports to the United Kingdom during 1967/68 do not appear promising. These exports totaled \$197 million during July-November 1967, about \$19 million or 9 percent less than during the corresponding period in 1966. A number of factors will tend to prevent any sizable increase in U. K. agricultural imports. The devaluation of the pound sterling by 14.3 percent in November 1967 will make imports from most countries more expensive. Also, austerity measures aimed at alleviating the United Kingdom's balance-of-payments problem will dampen the domestic demand for imports.

The U. K. Home-Grown Cereals Authority in November 1967 estimated that wheat imports in 1967/68 would be 110,000 tons or 3 percent less than in 1966/67 while feed grain imports

would remain at the 4 million ton level of 1966/67. The import estimate for feed grains is difficult to reconcile in view of the devaluation, the increase in domestic feed grain production (primarily barley) in 1967, and the heavy slaughtering of livestock in combatting the foot-and-mouth disease epidemic. However, increased exports or larger carryover stocks of barley could result in stability in the level of feed grain imports during 1967/68.

Fruit and vegetable imports probably will register some increase in 1967/68 because of the small fruit crop in the United Kingdom in 1967.

Spain is expected to remain a good market for U. S. agricultural products during 1967/68. U. S. agricultural exports to Spain during July-November 1967 totaled \$64 million compared with \$54 million for these months in 1966. However, recent developments may make it difficult for the United States to maintain this expansion of agricultural exports to Spain. The peseta was devalued by 14.3 percent in November 1967, which will make imports generally more expensive. On the other hand, Spain reduced import duties on corn, sorghum, and barley by almost half on December 1, 1967. In addition, an austerity program pegging wages and prices at the pre-devaluation level will tend to dampen increases in domestic demand.

The Spanish Government also is planning a shift in acreage from wheat to barley production in 1968. According to these plans, wheat area is to decrease by an estimated 300,000 hectares to 3.9 million and the barley area is to be expanded by 500,000 hectares. Under normal conditions, this larger acreage would provide sufficient barley to meet domestic requirements.

Tariff concessions received by the United States in the Kennedy Round negotiations should

increase demand for U. S. agricultural exports to the non-EEC countries of Western Europe in the years ahead. All of these countries participated in the Kennedy Round. The concessions received from the United Kingdom--the principal market for U. S. agricultural products among this group of countries--were of most significance to the United States.

The most important concession received from the United Kingdom was the elimination of the 5-percent duty on soybeans and consequently the Commonwealth preference. The duties on dried white beans, fruit cocktail, and edible offal of beef and veal (other than sweetbreads and tongues) were reduced by 50 percent. Sweetbreads and tongues of beef and veal, lamb and sheep offals, and rawhides and skins were bound duty-free. Based on 1964 U. K. import data, these items accounted for 61 percent of the value of U. S. agricultural products on which the United States received concessions from the United Kingdom.

Other non-EEC countries also granted concessions on items which were important in the volume of agricultural imports from the United States in 1964. Denmark bound imports of oilcake and meal duty-free and Spain reduced the legal duty on soybean oilcake and products to 2 percent. Also, Finland bound soybeans for technical uses duty-free. Denmark, Sweden, Norway, Switzerland, and Austria made tariff concessions up to a 50-percent reduction on various kinds of canned, dried, and preserved fruit. The most significant tariff concessions on tobacco were 50-percent reductions on leaf tobacco by Finland and on unmanufactured tobacco by Austria, a binding as duty-free unmanufactured tobacco by Sweden and Norway, and a 50-percent reduction by Sweden in duty on cigarettes weighing more than 0.85 grams. For raw cotton, Switzerland reduced its duty by 50 percent and Finland bound imports duty-free. Other concessions were made by these

countries (including the United Kingdom) on numerous less important agricultural products imported from the United States in 1964.

Six of the non-EEC countries of Western Europe are scheduled to participate in the mul-

tilateral sharing of food aid in the International Grains Arrangement. These countries are to provide a total of 366,000 tons of grain annually as follows (in thousands of tons): the United Kingdom (335), Sweden (54), Switzerland (32), Denmark (27), Norway (14), and Finland (14).

EASTERN EUROPE AND SOVIET UNION

ECONOMIC SITUATION

Eastern Europe and the Soviet Union continued to show economic progress in 1967 despite slowdowns in agriculture. ^{7/} National income reportedly increased 6.7 percent in the Soviet Union, and gains varying from 5 to 9 percent were reported for all countries except Yugoslavia. The modest 2 percent increase reported for that country can be partially attributed to the downturn in the agricultural output compared with the bumper harvest of 1966.

Population growth for the area is currently about 1 percent a year. Midyear 1967 population for the Soviet Union and Eastern Europe reached 235 million and 121 million, respectively.

AGRICULTURAL PRODUCTION

While net agricultural output of the Soviet Union and Eastern Europe did not match the 1966 record growth rates, only the Soviet Union, Hungary, and Yugoslavia experienced actual declines from the 1966 level. Romania held output at the 1966 level; modest gains varying from 1 to 3 percent were reported for Bulgaria, Czechoslovakia, the Soviet Zone of Germany (or East Germany),

and Poland. Weather was the dominant factor reducing total output; the crops most affected were spring wheat in the Soviet Union, and corn, potatoes, and sugar beets in Eastern Europe.

Total grain production in the Soviet Union for 1967 is currently estimated at about 125 million tons, net of excess moisture and waste. ^{8/} This compares with about 145 million tons for 1966. Coarse grain production is also down from 1966, but rice production increased 23 percent in 1967. Sunflower seed, potatoes, and sugar beets increased sharply in 1967, but cotton output remained at the previous year's level.

The livestock sector was the strong performer in this 50th anniversary year of the Soviet Union. Meat (slaughter weight), milk, and eggs increased 5.7 percent, 4.6 percent, and 6.3 percent, respectively. But the 12-percent downturn in total hog numbers and the same level of cattle numbers reflect lower feed availability, the lingering effects of the foot-and-mouth disease epidemic of 1966, and the lower number of breeding sows.

In Eastern Europe the total small grain harvest--wheat, rye, barley, oats, and mixed grains--was up an estimated 5 percent over 1966. Total wheat production amounted to

^{7/} Eastern Europe includes Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and Yugoslavia.

^{8/} For statistics on production and area of selected crops in Eastern Europe and the Soviet Union, see table 6 (in appendix).

24.7 million tons compared with 22.4 million tons in 1966. Yugoslavia's production of 4.8 million tons was the highest in the history of the country, but the 5.8 million ton output of Romania was the largest in the area.

Corn production dropped because of the prolonged dry spell in the major corn-producing countries. The estimated output of 19.5 million tons in 1967 was 14 percent below the previous year. Yugoslavia and Romania, the main producers, showed the sharpest drops, which could result in lower exports by these countries in 1968.

East European production of potatoes in 1967 amounted to 75 million tons, about the same as in 1966. Sugarbeet production was down from 42.5 million tons in 1966 to 42 million tons in 1967, and sunflower seed output held at the 1.5 million ton level.

The major thrust of East European agriculture was again noted in the livestock sector. Numbers of all major categories of livestock, except horses, were higher at the beginning of 1967 than in 1966. ^{9/} Better feed supplies during 1967 also favorably influenced the production of meat and other livestock products in Eastern Europe. Total beef production increased 5 percent in 1967 from 1966; pork, 1 percent; mutton and lamb, 6 percent; and poultry, 11 percent. Egg and milk production increased 4 and 3 percent, respectively, from 1966.

AGRICULTURAL POLICY

Agricultural policy in the communist countries continues to move toward the achievement of production goals through incen-

^{9/} For statistics on production of principal livestock products and on livestock numbers in Eastern Europe and the Soviet Union, see tables 7 and 8 (in appendix).

tives, investment, and improved technology. During 1967 the Soviet Union extended a model program of cost-accounting to 400 state farms. Keys to this program are a profit-sharing plan for farmworkers, more independence of state farm management from central control, and funding of farm investment from enterprise funds rather than from the state budget. Agricultural investment and material inputs to agriculture continued to move upward in 1967 in the Soviet Union. The division of investment between the state and collective farms continued to favor the state farm sector.

In Eastern Europe, Bulgaria drafted a new model collective farm statute as well as one for the Union of Collective Farms. The emphasis on organization thus became more pronounced in 1967. Czechoslovakia also followed the management route. The Ministries of Agriculture and Food were combined in order to effect coordinated planning. Small industries are being developed by farms for a better utilization of farm labor during the slack season. East Germany emphasized education and land reclamation in its farm program for 1967. Hungary introduced higher prices, modified its marketing system, and improved farm wages and fringe benefits of farmworkers. Programs to consolidate land and insure its efficient use were introduced in Poland, while Romania continued emphasizing technology and material inputs. Yugoslav farm policy, particularly marketing, drew fire from planners because of beginning surpluses. An assessment of existing price policy, quality control, and consumption patterns is underway.

AGRICULTURAL TRADE IN 1966

Soviet exports of grain in 1966 amounted to 3.6 million tons, 79 percent of which was wheat. Over 80 percent of the total grain exports in 1966 were shipped to Eastern Europe but, because of the good harvests throughout the communist areas during 1966,

some shifting of exports from Eastern Europe to other areas developed in 1967. Sunflower seed and oil have become more important in the total agricultural export picture of the Soviet Union and, along with cotton, wheat, and sugar, are the major commodities sold competitively in the commercial markets.

Yugoslav wheat imports in 1967, all from the United States, dropped to approximately 400,000 tons compared with 1.3 million tons imported in 1966. Preliminary estimates also indicate a decline by the major grain importers--Czechoslovakia and East Germany. Conversely, Eastern Europe increased grain exports. Bulgarian exports of wheat reportedly rose from 400,000 tons in 1966 to 600,000 tons in 1967, and Yugoslav corn exports increased to 900,000 tons compared with 356,000 in 1966.

Total U. S. agricultural exports to Eastern Europe and the Soviet Union in 1966

amounted to approximately \$255 million. ^{10/} Yugoslavia, Poland, and Czechoslovakia were the principal importers. Grain, cotton, and hides and skins were the main U. S. commodities imported by Eastern Europe. Preliminary estimates suggest that U. S. exports to these countries declined considerably in 1967, due mainly to the sharp cutback in Yugoslav imports and reduced sales of feed grains to East Germany and Czechoslovakia.

OUTLOOK

Soviet goals for 1968 call for a 7.4 percent gain in gross agricultural output, up considerably from the 1966-67 2-year average growth rate of about 5 percent. Agricultural output goals in Eastern Europe range from a moderate 2 to 3 percent increase for the industrial countries of Czechoslovakia and East Germany, to 3 to 4 percent for Hungary and Poland, and 5 to 10 percent for Bulgaria, Romania, and Yugoslavia.

EASTERN EUROPE

ECONOMIC SITUATION

East European economies continued to exhibit strength in 1967, reflecting a favorable response to the economic reforms introduced by most countries in the past few years. To achieve a more rapid growth rate, each country is in the process of planning, implementing, or reevaluating existing programs. Particular attention has been given to decentralizing some aspects of enterprise activities, introducing some features of market economies, and placing greater emphasis on satisfying consumer demand.

Gains in national income during 1967 were reported for all countries. Strong rates of growth were achieved in Bulgaria, Czechoslovakia, and Romania, varying from a 7.5 to a 9 percent increase over 1966. East

Germany and Hungary reported increases of approximately 5 percent, the same as last year, while Poland's 6 percent increase and Yugoslavia's 2 percent gain are below the 7 and 8 percent gains in the previous year. In all cases the rates of growth reflect a rise in per capita disposable income, but there are growing signs of some inflationary tendencies in Poland and to a lesser extent in Yugoslavia, Hungary, and Czechoslovakia.

Population growth in Eastern Europe during the last 10 years amounted to less than 1 percent a year for the area. The highest rate of increase, approximately 1.4 percent a

^{10/} For statistics on U. S. agricultural trade with Eastern Europe and the Soviet Union, see Table 9 (in appendix).

year, is in Poland. Midyear estimates for 1967 indicate a population of 121 million for the area. Agricultural population, however, continues to decline in all countries.

Among the most important economic reforms being introduced in Eastern Europe are those related to foreign trade. Gradual liberalization of trade control and greater reliance on more conventional methods of regulating trade are already in evidence in Yugoslavia. In September 1967, Poland became a full contracting party to GATT. And in Hungary, a decree effective January 1, 1968, permits selected enterprises to deal directly with foreign importing firms, rather than through state-trading corporations. The current controversy in Czechoslovakia over the bilateral pricing arrangements with other communist countries also suggests that a new, Western-oriented trade policy could evolve.

AGRICULTURAL PRODUCTION

Agricultural output in Eastern Europe tapered off considerably in 1967 from the exceptionally good year of 1966. Country reports have indicated only mild satisfaction with their plan fulfillment results. The small gains or declines in gross production reflect a return to a more nearly normal pattern of agricultural development.

The net agricultural output index for 1967, as computed by USDA, shows gains ranging from 1 to 3 percent for Bulgaria, Czechoslovakia, East Germany, and Poland, but declines of 2 to 3 percent in Hungary and Yugoslavia. Romania remained at about the same level as 1966.

Weather was the dominant factor affecting the output of cereals and root crops in 1967, and the better-than-average supply of feed on hand at the outset of 1967 favorably influenced the output of livestock products.

The agricultural sectors of Eastern Europe are heavily dependent on grain for sustaining their long-term agricultural development. Since grains occupy 56 percent of the total arable land in the area, the state of the grain harvest in a single year is a benchmark for measuring success or failure of agricultural programs in this area of the world.

Production of small grains--wheat, rye, barley, oats, and mixed grains--in Eastern Europe was an estimated 5 percent above 1966. To a large extent, this was due to the good harvests of wheat. Average fall weather, a mild winter, and an early spring with timely rains contributed to the reported higher yield of wheat in all countries; the average yield reached 30 quintals per hectare. East Germany achieved the highest yield of 34 quintals per hectare, and the 20 quintals per hectare garnered in Romania was the lowest. Total 1967 wheat production in Eastern Europe amounted to 24.7 million tons, compared with the 22.4 million tons in 1966. Yugoslavia's production of 4.8 million tons was the highest in the history of the country, but the 5.8 million ton output of Romania was the largest in the area.

Production of other small grains followed a varied pattern. Rye, for example, was down from the 10.8 million tons in 1966 to 10.7 million tons in 1967. The 7.8 million tons of barley was a slight increase; oat production continued to move upward from the low of 1964 to an estimated 5.3 million tons in 1967.

Corn is the major feed grain produced in Eastern Europe. The area's bumper crop, of 22.6 million tons in 1966 represented almost 70 percent of total output in Europe. A mild but prolonged drought developed in the corn-growing countries of Bulgaria, Czechoslovakia, Hungary, Romania, and Yugoslavia in 1967 and the estimated output of 19.5 million tons was

14 percent below the previous year. Yields of corn for the area averaged 25.5 quintals per hectare, down from 29 quintals in 1966. Bulgaria achieved the highest yield, approximating 36 quintals per hectare, but Czechoslovakia and Yugoslavia also reported yields of about 29 quintals.

Romania and Yugoslavia, the major producers in the area, each harvested 8 million tons of corn in 1966. Official reports for 1967 now claim a production of 7.2 million tons for Yugoslavia, and 6.8 million tons for Romania. Since both countries export corn, the smaller output in 1967 could mean lower exports in 1968.

The drought also affected the production of industrial crops in Bulgaria, Hungary, Romania, and Yugoslavia. Potato and sugarbeet production in these countries was roughly the same in 1967 as in 1966 but sunflower seed output dropped in all countries except Bulgaria and Romania.

The major producers of potatoes and sugarbeets in Eastern Europe are Czechoslovakia, East Germany, and Poland. In these countries the weather during the growing and harvesting seasons was generally favorable and yields have been reported to be slightly higher than in 1966. East European production of potatoes in 1967 amounted to 75 million tons, about the same as in 1966. Sugarbeet production was down from 42.5 million tons in 1966 to 41.9 million in 1967. Sunflower seed production dropped from 1.48 million tons in 1966 to 1.44 million tons in 1967.

Since the early 1960's a major program has been underway in Bulgaria, Hungary, Romania and, to a lesser extent, Yugoslavia, to increase the production of fruit and vegetables. New orchards have been planted and irrigation is being used more extensively for growing vegetables. Gains in both fruit and

vegetable production were again reported in 1967 for Bulgaria and Hungary, but output dropped somewhat in Romania and Yugoslavia.

The major thrust of East European agriculture in 1967 was noted in the livestock sector. Raising the standard of living and, in particular, increasing the per capita availability of livestock products is a common goal throughout the area. Livestock products are also being exported in greater quantities to hard-currency countries. Beginning of year numbers of livestock (except horses) and the output of livestock products in 1967 in Eastern Europe were higher than in 1966, suggesting that the upward trend noted in earlier years was maintained.

Hog numbers were up slightly from the January 1, 1966 level, reflecting the improved feed supply and farmer response to higher prices announced in several countries. Increases in hog numbers were noted in all countries except Bulgaria, Czechoslovakia, and Hungary. The significant year-to-year change in hog numbers in Eastern Europe is a barometer of feed supplies rather than a planned program to increase or decrease numbers. However, all countries are slowly introducing more efficient feeding practices, and there is increasing evidence that hog numbers could stabilize as feeding programs become more balanced.

Horse numbers in Eastern Europe continued to decrease. The rate has been most rapid in countries where collectivization is complete; both Poland and Yugoslavia still maintain large inventories of draft horses.

Livestock numbers per 100 hectares of arable land vary considerable from country to country. Czechoslovakia and East Germany have the heaviest concentration of cattle; Hungary and East Germany show the highest concentration of hogs. The concentration of

sheep is heaviest in Bulgaria; the density for Romania and Yugoslavia is also high. (11). Poultry concentrations are the heaviest in East Germany, followed by Czechoslovakia, Hungary, and Poland. For the area as a whole, the sharpest gains in numbers per 100 hectares of arable land have been observed for poultry and hogs--both heavy consumers of feed concentrates.

The growth of livestock numbers has favorably influenced the production of meat and other livestock products in Eastern Europe in 1967. Although per capita consumption of meat and meat products in Eastern Europe is still relatively low compared with most West European countries, recent gains in meat output have narrowed this gap considerably. Beef production increased 5 percent in 1967 from 1966; pork, a modest 1 percent, reflecting the heavier slaughter of hogs in the previous year and the slow buildup of herds in Hungary, Romania, and Yugoslavia during 1967; mutton and lamb, 6 percent; and poultry, a strong 11 percent. Egg production also increased 4 percent over 1966.

Milk output continued the upward trend of recent years, increasing 3 percent from the 1966 level. Although a summer drought was experienced in the area, good spring pasture conditions and a better carryover of feed supplies from the bumper harvests of 1966 helped to raise milk production in 1967. In Czechoslovakia and Bulgaria, higher output has been achieved mainly through improving efficiency, since cow numbers remained the same or declined from the previous year's level. In East Germany and Poland the increase is attributed to feeding efficiency and additions to herds. The highest gain in output over 1966, 7.7 percent, occurred in Bulgaria.

AGRICULTURAL POLICY

In the East European economies, past agricultural policy and programs have been

guided by the politico-economic dictum that maximum output and efficiency could be achieved simultaneously with the collectivization of resources. Collectivization was accomplished in all countries except Poland and Yugoslavia, but economic goals remained unattained. Increasing agricultural growth or, alternatively, stabilizing the growth of the agricultural sector, became more important than further collectivization in the last half of the sixties. Priority, for example, is now given to the increased use of fertilizer, machinery, and other inputs--followed by reforms in pricing policies, and finally by management and organizational programs which leave more of the day-to-day decision-making to farm managers.

In 1967, elements of these policy changes appeared in all countries and in all forms. Bulgaria, for example, drafted a new model collective farm statute as well as one for the Union of Collective Farms. The emphasis on organization thus became more paramount in 1967. Major decisions taken were those that defined territorial specialization of farms and introduced a 5-year contract program for state purchase of commodities. The latter decision closely parallels the long-term procurement program of the Soviet Union. Additionally, Bulgaria introduced a new bonus system covering the prices of commodities sold to the state in excess of planned deliveries; doubled old-age pensions for collective farm members; and announced a wage increase of 9.2 percent for 241,000 state farmworkers.

Total capital investment in agriculture in 1967 was also increased 18.7 percent from 1966. State funds were distributed for building barns, and for purchasing machinery, fertilizers, and electricity. Nearly 4,200 tractors, 950 combines, and 1,300 trucks were delivered to farms in 1967. Fertilizer use in 1967 also was increased by 4.5 percent, bringing

the application rate up to 126 kilograms of plant nutrients per hectare of arable land.

Czechoslovakia also followed the management route in its reform program. At the top administrative level, the Ministries of Agriculture and Food were combined to effect coordinated planning. At the local level, district associations were formed for the purpose of integrating the production and purchasing functions of agriculture and industry. Additionally, small ancillary industries are being developed--meat processing plants, dairies, construction materials--for better utilization of farm labor during the slack season. The Government has stated that subsidies will continue to be given to weak farm enterprises, but the profit motive being fostered is expected to raise the income level of many of these enterprises.

Results of management reforms evidenced in 1967 were noted in the changes of cropping patterns, with grains tending to increase at the expense of labor intensive crops: sugarbeets and potatoes. Additionally, farm machinery for all types of farms increased in 1967 by 7,397 tractors, 1,611 grain combines, and 749 sugarbeet harvestors. Fertilizer application in terms of active ingredients reached 131 kilograms in 1967.

In East Germany, the management reforms introduced several years ago were further extended during 1967, with the result that the integration of the agricultural and industrial sectors is probably more advanced in East Germany than in any other East European country. Agricultural training programs, neglected for many years, were also revived. More than 37,000 workers were given specialized training and approximately 1,800 students graduated from technical and agricultural colleges in 1967. This emphasis on training is in response to the shortage of skilled farm managers and technicians needed

for the large and more industrially integrated farms.

Agricultural investment in East Germany is used principally for land reclamation and soil improvement. Almost one-third of the allocated funds are used for this purpose. Machinery purchases are still increasing and the farms in 1967 purchased 10,180 additional tractors, 665 harvesters, and 800 potato diggers. Fertilizer application rates in East Germany, which are the highest in Eastern Europe, amounted to about 212 kilograms of active ingredients per hectare in 1966 and 1967.

Hungary's economic reforms were introduced in the beginning of 1968. Under the new economic system, agriculture will become more fully integrated into the industrial system. Higher producer prices for most agricultural products became effective January 1. However, because of a developing pork shortage, hog prices were raised about 20 percent in mid-1967. The higher producer prices are designed to stimulate production, to raise farm income, and to enable average farms to operate profitably. The distribution of farm enterprise profits, however, will be regulated and a definite percentage will be used for reinvestment in the farm enterprise. Farms operating below average conditions will continue to receive state subsidies.

The state monopoly over marketing will also be modified to allow more competition between farms. To strengthen the weak collective farms, the Government reduced or in some cases cancelled past debts. Land-rent payments to absentee owners will also be curtailed and the privilege of cultivating household plots will be limited. Except for retired members of collective farms, only members working an established minimum number of hours on the collective farm will be entitled to have plots for their own use.

The recently approved minimum wages and fringe benefits are expected to stimulate productivity and halt the exodus of farmworkers. Fertilizer use in terms of active ingredients was planned to increase 20 percent over the 1966 level of 76 kilograms.

Current agricultural policy in Poland is centered around the 1966-70 plan, which calls for a 17-percent increase in crop production and an 11-percent increase in livestock output. Implied in the plan is the need to expand the production of feed grains.

To meet the growing state needs, higher state purchase prices of agricultural commodities were offered to farmers; and state-sponsored programs to purchase commodities under contractual agreements were expanded. By 1970, contract agreements are expected to cover more than 30 percent of the total commodity output of all farms.

Three significant decrees with long-run implications were implemented in 1967. The first promoted land consolidation in areas where fragmentation has delayed the introduction of improved technology; the second permits the state to rent farmland where the owner is no longer able to farm or is using the land inefficiently; and the third directs that technical advisory services be made available to all farmers.

Total agricultural investment in Poland increased 6.8 percent in 1967 over 1966. Tractor numbers in 1967 increased to 152,000 compared with 137,200 in 1966, but only 12 percent of the tractors are privately owned. Fertilizer consumption averaged 80 kilograms of active ingredients in 1967 compared with only 65 kilograms in 1966. The average rate of application on state farms moreover was nearly double that on private farms.

Agricultural policy in Romania is committed to programs which emphasize advanced

technology for raising agricultural output. Investment programs have been reevaluated and the allocation of funds is being shifted to those sectors or projects that encourage efficiency and long-term production gains--mechanization, land reclamation, and the livestock sector. Investment amounting to 6 billion lei, 13.8 percent more than in 1966, was allocated from state funds in 1967. During 1967 agriculture was supplied with 8,300 new tractors, 4,000 planters, and 850 corn pickers; irrigation was extended by 127,000 hectares; and fertilizer consumption was increased by 24 percent to an estimated 417,000 metric tons of active substance, or approximately 37 kilograms per hectare of arable land.

The current focus of management reform is directed toward the decentralization of decision-making on the state and collective farms, the development of credit programs, road building, and small processing industries, and the provision of other rural services to collective farms by the Union of Agricultural Cooperatives. There is also some evidence of a new policy that would fix the size of state and collective farms by the type of farming activity. This program follows the pattern noted in other East European countries and suggests that a critical appraisal of farm efficiency and the scale of operations is underway.

The major agricultural policy decision in Yugoslavia in recent years has been in the pricing field. The sharp upward shift in farm prices that has developed was intended to stimulate farm output in the large private sector as well as to generate investment capital in both the private and collective sectors. While output and investment increased in 1966, the drop in production in 1967 created a shortage of agricultural investment capital. Currently the Government is reviewing its price and investment programs. Without investment funds, the Government

believes that a slowdown in agricultural growth could develop; and with continued farm price increases the inflationary problem only recently corrected could again emerge.

A market surplus of some agricultural commodities--sugar, tobacco, wool, hides--also occurred during 1967. This is a new phenomenon in Yugoslav agriculture, caused by increased output without a subsequent increase in domestic consumption or exports. A more flexible price policy, more quality control, and a reassessment of domestic consumption patterns are measures proposed by the Government to counter these developments.

Yugoslav interest in stimulating the private sector continued to develop in 1967. Proposals were made to eliminate the double tax private farmers must pay on the purchase of new tractors--20 percent of the value at the time of purchase and a subsequent registration tax. In 1966, private farmers increased their tractor holdings to 12,180, an increase of 7,100 over 1965. A similar increase probably occurred in 1967. Fertilizer purchases by both the state and private sectors amounted to 460,241 tons of active ingredients in 1966, approximately 61 kilograms per hectare of arable land.

CONSUMPTION AND INCOME

Only in recent years have the economies of Eastern Europe experienced consistent growth in the availability of consumer goods. Food, moreover, is still the most expensive item in the household budget. Current estimates indicate that approximately 45 percent of the disposable income of urban workers is spent on food, varying from 43 percent in Czechoslovakia to approximately 54 percent in Yugoslavia. This high proportion of the family income spent on food, compared to Western Europe, is partially offset by lower costs of rents and services.

In 1966, bread grain consumption (in terms of flour) was reported to be 212 kilograms in Bulgaria, but only 98 kilograms in East Germany. Corn consumption is still high in Romania and Yugoslavia, where consumption in 1966 was estimated at 54 and 28 kilograms per capita, respectively. Some corn is also consumed in Bulgaria, but in all countries consumer preference has shifted to wheat and rye.

Consumption of meat and livestock products is moving upward throughout the area. The highest consumption of meat and meat products in 1966 was noted in Czechoslovakia and East Germany, where per capita consumption amounted to 62 kilograms and 55 kilograms, respectively, in 1966. Hungary had the highest consumption of poultry--12 kilograms in 1966--and Poland the highest consumption of milk and milk products--240 kilograms in 1966.

During 1967, price increases were reported for food products in Hungary, Poland and, to a lesser extent, in Czechoslovakia and Bulgaria. Although price increases for agricultural products have been implemented in all countries in recent years, little of this additional income has been passed on to the farmer and there is still a wide gap between urban and farm family incomes.

AGRICULTURAL TRADE IN 1966

Eastern Europe's economies have continually faced economic shortcomings that have affected their agricultural trade. In most years the growth of imports has been restricted by balance-of-payments problems and in recent years rising domestic demand has affected the capacity to increase exports. Agricultural exports, however, still contribute sizably to the foreign trade earnings of Bulgaria, Hungary, Poland, Romania, and Yugoslavia; imports require substantial cash outlays by Czechoslovakia and East Germany.

In the past decade, the direction of agricultural trade has been influenced by the heavy dependence on the Soviet Union as a major supplier and as an outlet for agricultural exports. A considerable volume of agricultural trade is also carried out among countries within the framework of CEMA (Council of Economic Mutual Assistance). Some shift away from this dependence has been noted since 1960 and, in particular, since 1963, the year that the Soviet Union experienced a severe drought. Official data for the 1960-65 period, for example, indicate that the Soviet Union supplied less than half of the wheat and rye imports of 5.9 million tons, compared with almost two-thirds of the 5.1 million tons supplied during 1955-60. For the same two periods, the share of cotton imports from the Soviet Union dropped from 53 percent to 41 percent of total imports.

During 1966, Eastern Europe imported approximately 6 million tons of bread grains--wheat and rye--and 1.5 million tons of feed grains. About 40 percent of the total bread grain imports in 1966 were supplied by the USSR compared with 26 percent by the United States. But more than 70 percent of the feed grain imports in 1966 were purchased from the United States.

Total U. S. agricultural sales to Eastern Europe in 1966 amounted to an estimated \$232 million, or 3.3 percent of total U. S. agricultural exports. Yugoslavia, Czechoslovakia, and Poland are the main importers of U. S. products, although purchases of grain sorghum by East Germany have increased. Wheat was the major commodity imported from the United States in 1966 (approximately 1.5 million tons) followed by feed grains and cotton. Yugoslavia was the major importer of both wheat and cotton. Czechoslovakia, East Germany, and Poland were the main purchasers of feed grains, amounting to 480,000, 308,000, and 192,000 tons, respectively.

The good 1966 grain harvests, particularly of corn, lowered 1967 grain import requirements of Eastern Europe considerably. Yugoslav wheat imports dropped from approximately 1.3 million tons to 400,000 tons. Preliminary estimates indicate that grain imports by both East Germany and Czechoslovakia also declined. Conversely, grain exports of Eastern Europe increased. Bulgarian exports of wheat reportedly increased from 400,000 tons in 1966 to 600,000 tons in 1967, and Yugoslav corn exports in 1967 rose to an estimated 900,000 tons compared with 356,000 in 1966 (5). Total grain exports of Romania in 1967 probably increased from the 1966 level of 1.3 million tons, most of which was corn.

In addition to grains and cotton, Eastern Europe imports rice, feed supplements, tobacco, oilseeds, and hides and skins. Exports consist of meat (primarily hams), eggs, sugar, fruit, vegetables, and oriental tobacco. Western Europe has been a major outlet for East European agricultural exports, but the increased trade barriers of the EEC have closed off some of this trade. Yugoslav exports of beef in particular were cut back sharply by these restrictions. U. S. imports have been primarily meat products from Poland and Yugoslavia.

OUTLOOK

Gains in gross agricultural output of 2 to 3 percent are planned for the industrial countries of Czechoslovakia and East Germany; somewhat higher increases of 3 to 4 percent are expected for Hungary and Poland; and increases of 5 to 10 percent or more are planned for Bulgaria, Romania, and Yugoslavia.

Eastern Europe's agricultural gains in recent years have allowed all countries, but particularly Bulgaria, Romania, and Yugoslavia, to consider using the increased production for consumption rather than for exports. This

shift is only moderate at the moment, but there is evidence that per capita consumption of quality foods--meat, milk, eggs, fruit, and vegetables--is increasing.

Poland's agricultural program also indicates an increasing concern about the rise in domestic consumption of quality foods without achieving a similar rise in production. The same trend, although less pronounced, can be noted in Hungary. However, the immediate goal in all countries except East Germany and Czechoslovakia is to capitalize on the extra hard-currency that can be earned from the export of agricultural products. Barring unfavorable weather, which would

affect agricultural output, this policy is expected to continue in 1968.

East Germany, Czechoslovakia, and Poland are still the major export markets for feed grains. Yugoslavia, under normal weather conditions, should be able to hold wheat imports at last year's low level and, except for poor harvest years, Hungary is self-sufficient in bread grains.

Important trade developments in late 1967 were the extension of a grain trade agreement with Canada by Bulgaria, and the announced import of 200,000 tons of feed grains by Hungary under the 1958 bilateral trade agreement with the Soviet Union.

SOVIET UNION

ECONOMIC SITUATION

The economic situation in the Soviet Union after the 50th Anniversary of the October Revolution is generally good in the major sectors except agriculture, where the planned increase of 4 percent over 1966 showed extreme optimism and only a 1 percent increase in gross output was reported.

Economic reforms introduced in September 1965 and the drives to achieve peak performance in the 50th anniversary year contributed to economic growth in 1967.

National income, the closest comparison to the Western concept of GNP, increased 6.7 percent in 1967, industrial production 10 percent, retail trade 9.4 percent, real per capita income 6.0 percent, and foreign trade 9 percent. Since the 1967 planned increase for industrial output was only 7.3 percent, the degree of overfulfillment was substantial and was greater than in 1966 when actual industrial output growth was 8.4 percent against a planned 6.7 percent.

Population growth slowed from the 1960-66 average of 1.4 percent per year to 1.1 percent in 1967. January 1, 1968, estimates indicate a population of 237 million for the USSR.

The USSR maintains trade relations with most countries of the world except several African and Latin American countries. However, approximately two-thirds of its foreign trade is with communist countries.

AGRICULTURAL PRODUCTION

Despite a sharp drop in USSR grain production, agricultural output in the jubilee year 1967 approximated the 1966 level. Gross agricultural output reportedly exceeded the 61.5 billion ruble mark attained in the bumper year 1966 by 1 percent. This showing was aided considerably by the ample feed supplies from the record grain harvest in 1966, the favorable response of the livestock sector, and the repeated good harvests of industrial crops. While 1967 gross production fell far short of the planned 4-percent increase, the

exceptional and average grain harvests in 1966 and 1967 have given the Soviet Union a little more flexibility in planning its agricultural programs through 1970.

Net agricultural production as calculated by USDA (deducting seed, feed, and waste), however, shows a moderate downturn from 1966's high level. This is attributed to the higher feed inputs for the livestock sector. Future growth of agricultural output, particularly for livestock products, depends on the continued strong gains in the production and efficient use of feed grains and other livestock feeds.

In his speech in early November 1967 at the opening session of the 50th anniversary celebration of the Soviet revolution, Party Secretary Brezhnev showed no real concern over the total agricultural performance, but did express some disappointment over the smaller grain harvest. The officially announced total grain harvest of 147.6 million tons was down substantially from the 171.6 million ton record claimed in 1966. USDA estimates of grain production, after accounting for excess moisture and harvesting losses, amounted to about 125 million tons compared with about 145 million tons in 1966 (12).

Adverse weather held grain output down in 1967; the crop most affected was wheat. The sharpest decline of wheat occurred in the spring wheat belt of Kazakhstan and Siberia, where seeding was carried out under less-than-optimal conditions. Although timely rains were reported in May and June, the low soil moisture reserves, the uneven distribution of rainfall during the growing season, and the subsequent poor plant development reduced yields.

Offsetting the poor performance in the major spring wheat belt was the good harvest

in the Ukraine and in most other wheat growing areas of the Russian Soviet Federated Socialist Republic. Total wheat production, as estimated by USDA, may have reached 64 million tons, which should adequately cover domestic requirements. However, the continued year-to-year uncertainty of grain harvests in the marginal grain areas of the New Lands sharply points up the need to move more quickly into expanding irrigation and into land reclamation programs in areas of ample rainfall where fertilizers can be used more effectively.

This emphasis on grain production is complemented by the continued effort to increase rice production. Acreage has continued to expand and good rice crops were reported in the new-growing areas of the Ukraine and North Caucasus in 1967. Production of rice, according to ERS estimates, reached 780,000 tons, up approximately 22 percent from the 640,000 tons in 1966.

Feed grain production declined moderately from the output achieved in 1966. Barley production increased slightly, mainly on the strength of expanded area, but corn production declined slightly because of the late-summer drought. Production of oats was good, although lower than last year's excellent crop. Other small grains, including rye and pulses, increased from 1966.

Industrial crops showed mixed results in 1967. Sunflower seed production continued the increase of the last few years, reflecting the long-term gains from the high-yielding varieties introduced in recent years as well as excellent weather. A production of 6.1 million tons, net of excessive moisture and waste, is estimated for 1967 compared to a harvest of 5.65 million tons in 1966. Output of flax, castor beans, mustard, soybeans, and other oilseed crops changed little from 1966.

Cotton production remained at the 1966 level of approximately 6 million tons (unginned). Sugarbeets, however, showed a significant increase in 1967, with output increasing to 85 million tons compared to the 73.8 million tons in 1966. Reported average yields of 229 centners per hectare are a record.

Sharp gains were also made for vegetables and potatoes; the latter, according to USDA estimates, increased from 79 million tons to 82 million tons. Since about 60 percent of total potato production is harvested on small household plots, this 8-percent increase suggests that more potatoes will probably be used for feeding livestock on household plots than in previous years.

Starting from a low base, the livestock sector has been a strong performer in the output gains of Soviet agriculture since 1958, but the surprisingly modest gains made following the rich grain harvest of 1966 points up the low feed inputs and inefficient feeding practices that still exist on Soviet farms.

Cattle numbers on January 1, 1968 were reported to be at the same level as in 1967--97 million head. Hog numbers, however, declined from 58 to 51 million head, a drop of approximately 12 percent. This sharp downward shift is indicative of the concern of farm managers and peasants over the available supply of feed grains, the lingering effects of the foot-and-mouth disease epidemic of 1966, and lower numbers of breeding sows. Sheep and goat numbers, however, edged upward in 1967 and beginning of year numbers for 1968 reached 144 million compared with 136 million in 1967.

The output of meat (slaughter weight), milk, and eggs increased 5.7 percent, 4.6 percent, and 6.3 percent, respectively. The gain in meat production was attained by increases in both total slaughterings and slaugh-

ter weights over 1966, but the milk production gain was due to higher yields per animal unit. No 1968 numbers have been announced for poultry, but the trend has been upward since 1963. While the rate of lay reportedly increased in the socialized sector, there is no evidence of change in the private sector.

Year-to-year changes in agricultural output can also be judged from officially reported procurement data. Procurements are purchases by the Government which are held in storage and collection points throughout the country. Purchases are more indicative than production of the actual volume of agricultural products available for off-farm consumption, exports, and carry-over. Procured agricultural crops are reported in terms of standard accounting weight, designed to measure the delivered products in terms of uniform moisture content, net of foreign matter.

Grain procurements for 1967 have been officially announced at 57.2 million tons. This quantity falls in line with the long-term program to purchase at least 55 million tons from farms annually during 1966-70, but is substantially below the reported procurements of 75 million tons from the bumper harvest of 1966. As a supplement to domestic commercial supplies, the Soviets have agreed to purchase about 9 million tons of wheat from Canada from August 1, 1966, through August 1969.

In 1967, the Soviets also procured 6.0 million tons of cotton, about 5 million tons of sunflower seed, 11.5 million tons of potatoes, and more than 81 million tons of sugarbeets. In all cases except potatoes, these procurements represent more than 75 percent of the announced production.

Livestock products procured by the state amounted to 7.2 million tons of meat and fats (slaughter weight), 63 percent of total production; 42.4 million tons of milk, 59 per-

cent of total production; and 12.9 billion eggs, 38 percent of total production.

Feed supplies have become increasingly important to Soviet planners since the announced drive in 1958 to overtake the United States in the per capita availability of meat and livestock products. Most of the Soviet feed supplies are derived from pasture, silage, straw, and hay and root crops, but grain and other concentrates accounted for approximately one-fourth of the total feed supplies during 1960-65, according to official sources. The consumption of feed concentrates per animal unit, however, is far below the U. S. level, ranging from a low of 410 kilograms in 1964 to a high of 530 kilograms in 1965, but averaging about 480 kilograms over the period 1958-65. This average is approximately 60 percent of the current U. S. feed input per livestock unit. The use of concentrates is also subject to wide fluctuations in the production of feed grains. The good feed supplies available from the 1966 harvest helped raise the output of meat and other livestock products in 1967. Carryover stocks of feed are an important indicator of the direction and quantitative change of the livestock sector. Supplies of feed concentrates on collective and state farms at the beginning of 1966 and 1967, for example, were officially reported as 11.9 million tons and 16.6 million tons, respectively.

AGRICULTURAL POLICY

During 1967 the Soviet Union continued its efforts to carry economic reforms into the countryside (2). A model program for introducing cost-accounting was initiated on 400 state farms, approximately 3 percent of the country's 12,200 state-operated farms. Keys to the reform are the profit-sharing plan for farmworkers, greater independence of farm management from central control, and funding of farm investment from enterprise funds rather than the state budget. Under the new

program, 15 percent of the profits after meeting fixed obligations will be paid out in bonuses, 10 percent will be allocated for cultural and housing projects, and 20 percent will be used for crop insurance and income protection against bad harvests.

State farms participating in this program will also be able to sell their output at prices equal to the procurement prices now paid to collective farms. This shift in policy suggests that the dual-price system between state and collective farms for agricultural products may be eliminated eventually.

Broader responsibilities given to management under the new decree include the right to determine the total number of workers, the planned production costs, the planned labor productivity, and other general factors of management control. But the farms will still be required to provide the Government with a fixed amount of their total output and to make a fixed contribution to the wage fund before income can be used for other purposes.

A soil conservation program was also announced early in 1967. This directive actually represented an extension of the land reclamation and irrigation proposals announced in 1966. Specific goals included the planting of shelter belts on 324,000 hectares in the dry steppe regions, the forestation of 827,000 hectares in specific areas of European Russia where water erosion problems exist, and the terracing of 89,000 hectares in various mountain regions of the country. Other measures for control of soil erosion for the remainder of the decade are to be effected by the Ministry of Agriculture, Ministry of Forestry, and other related agencies in conjunction with the State Planning Commission.

In 1967 two far-reaching decrees affecting agriculture were enacted. The first

gave farm management the right to engage in some nonfarm activity during slack periods, and to establish workshops without approval of higher authorities. State banks are authorized by the Council of Ministers to provide credit to farms for the construction of such workshops and for the acquisition of equipment. Objectives of the decree are to foster the development of small-scale food-processing and construction materials industries as part of the farm establishment.

This objective ties in closely with the second decree which outlines means of accelerating the development of the meat and dairy industry (10). Both industries have been under heavy pressure to be more responsive to the expanded output of the livestock sector. To improve this situation, the new decree provides means for expanding meat and dairy processing capacity, strengthening procurement facilities, introducing modern commercial feeding techniques, and reducing spoilage and waste on farms. Both decrees have long-term as well as immediate implications.

Investment programs and material inputs for agriculture continued to move upward in 1967. Fixed capital investment of collective and state farms, for example, increased by 10 percent, raising agricultural investment in 1967 to 13.1 billion rubles. This is a significantly larger share of total investment in the economy than in recent years. During the first 2 years of the current 5-year plan, the Soviets have invested approximately 25 billion rubles in agriculture, or approximately one-third of the planned amount under the 1966-70 program. The division of investment between the state and collective farms continues to favor the state farm sector. But the increased incomes of the collective sector from the excellent harvests of 1966, the announced reduction in farm income taxes, and the lowered costs for material and electric power in 1967 probably contributed substantially to the rise

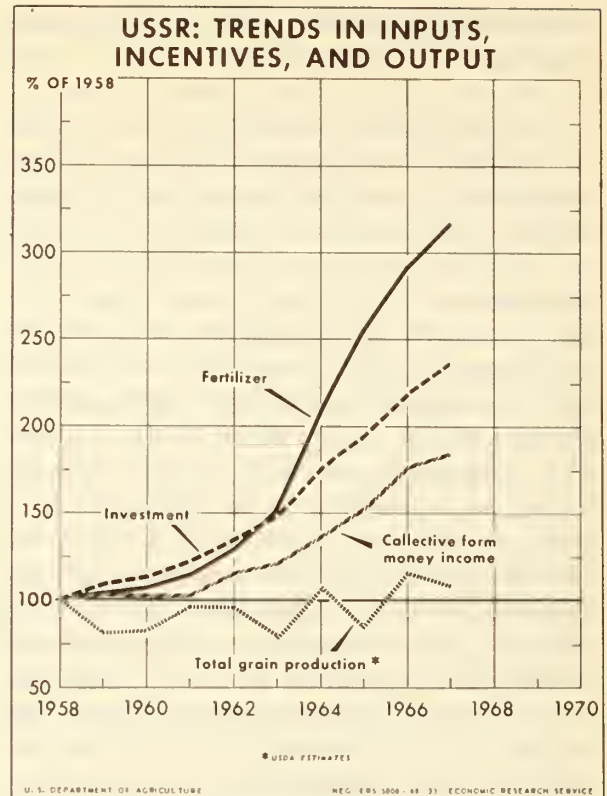


Figure 1

of collective-farm fixed investment last year. (Figure 1)

New farm machinery added to the total agricultural plant in 1967 included 286,000 tractors, up 3 percent from 1966; 146,000 trucks, up 6 percent; 96,000 grain combines, up 12 percent; and 6,000 potato diggers, up 20 percent. Slightly more than 6,000 cotton pickers were produced in 1967--a decline of 1,000 from 1966. Other types of farm equipment--plows, discs, fertilizer spreaders--also increased moderately. Also, irrigation was extended by 252,000 hectares and draining operations were completed on 714,000 hectares (15). Completion of new grain elevators with a capacity of 1.6 million tons and the addition of 7.8 million tons to the total grain storage capacity represented renewed efforts to resolve the waste problem that has plagued the Soviet Union for many years.

In 1967, a greater amount of fixed capital investment was allocated to the livestock sector than in previous years. New housing for 953,000 cattle and 730,000 hogs reportedly was completed during the year.

Rural electrification programs were expanded further in 1967. By the end of the jubilee year, the Soviets claim to have provided electric power to 95 percent of the collective and state farms. By the end of the current 5-year plan, 90 percent of the total electric power available to farms is planned to be supplied from the state-owned grids. Actual consumption of electricity on farms remains low.

Material inputs moved upward in 1967. About 3.2 million tons more fertilizer (gross weight) were made available to agriculture

in 1967. This raised the total amount used on farms to 33.7 million tons, approximately 84 percent of the total amount produced. Pesticide production in 1967 amounted to 221,000 tons, a 7-percent increase over 1966. The growing volume of inputs for agriculture and the steady additions of fixed capital are resulting in higher costs in the agricultural sector, partially explaining the current emphasis on cost-accounting and more efficient management in the state farm sector.

CONSUMPTION AND INCOME

Annual per capita consumption of selected products is noted in table 3. While the data are not fully comparable with Western concepts (for example, meat includes edible offals and slaughter fats) the upward trend in quality foods reflects more than any other measure the

Table 3.--USSR: Per capita consumption of agricultural products, 1913, 1950, 1958-60, and 1964-66

Item	1913	1950	1958	1960	1964	1965	1966
	<u>Kilograms</u>						
Meat, meat products, and lard in terms of meat.....	29	26	36	40	38	41	43
Milk and milk products in terms of milk.....	154	172	238	240	238	252	259
Eggs (numbers).....	48	60	108	118	113	124	130
Fish and fish products.....	6.7	7.0	9.8	9.9	12.2	12.6	12.9
Sugar.....	8	11.6	24.2	28.0	32.2	34.2	35.3
Vegetable oil.....	n.a.	2.7	4.7	5.3	6.6	7.1	n.a.
Potatoes.....	114	241	150	143	140	141	136
Vegetables and melons.....	40	51	71	70	74	73	72
Bread products.....	200	172	172	164	159	156	154

Sources: (16) and (17).

steady improvement in the output of the agricultural sector. There is, however, a sizable gap in per capita consumption levels, particularly of meat, between the highly developed Western market economies and the USSR.

Farm income is slowly moving upward in the USSR, but the gap between rural and urban income is still quite significant--estimates indicate that the income of collective farmworkers is about half that of urban workers and two-thirds that of state farmworkers. There is, moreover, a considerable disproportion in the amount of income distributed not only on each farm, but also between farms.

The increase in payments to collective farmworkers in 1967 dropped sharply from the 16-percent increase reported for 1966--a result of the bumper harvests that year. But the average collective farm wage increased 6 percent in 1967. Offsetting this slower increase of wage payments was an 11-percent increase in free market farmsales in cities during the 1967 jubilee year.

AGRICULTURAL TRADE IN 1966

Agricultural trade of the Soviet Union in the decade of the fifties was carried out principally with other communist trading partners. Eastern Europe, for example, purchased grains, cotton, oilseeds, and some meat from the Soviet Union. Agreements were bilateral and prices were artificially determined, although world market prices were probably used as a benchmark for negotiations. In the past few years, the Soviet Union has also become an active trader of cotton, sunflower seed and oil, and sugar with the hard-currency countries of the world. This development reflects increased production both for domestic consumption and for export on the world market.

Soviet exports of grain in 1966 amounted to 3.56 million tons, 79 percent of which was

wheat, compared to 4.33 million tons in 1965. Over 80 percent of the total grain exports in 1966 were sent to Eastern Europe, primarily to Czechoslovakia, East Germany, and Poland. Because of the good wheat harvests in 1966, Soviet exports of grain in 1967 may have exceeded those of 1966. Carryover stocks of grain are probably less than desired, although improved from the trough of several years ago. However, this reserve position, coupled with the fair harvest of 1967, suggests that the Soviet Union may not export much above its commitments--approximately 3.5 to 4.0 million tons--during the current trade year. Alternatively, imports could increase, particularly if the current crop develops unfavorably. Under the existing agreement with Canada, the Soviets could purchase by mid-1969 the remaining 4 million tons of the 9 million contracted for in 1966.

Oilseeds and vegetable oils represent a newly found export strength for the Soviet Union. Production of sunflower seed, the major oilseed crop, reached a new high in 1967, exceeding 1966 output by approximately 400,000 tons. Exports of sunflower seed oil amounted to 427,700 tons in 1966, a substantial share of which was exported to hard-currency countries. Countervailing charges and the continued expansion of oil processing facilities in Western Europe, however, may inhibit further expansion of Soviet vegetable oil in this market, or alternatively trade could be redirected through a third country. Sunflower seed exports increased from 83,700 tons in 1965 to 142,000 tons in 1966.

Cotton has been the Soviets' best steady earner of foreign exchange. Canada has been buying larger amounts in recent years--purchases through August 1967 are estimated at 13,000 tons compared with 11,600 tons for the entire year 1966. Exports of ginned cotton in 1966 amounted to 508,000 tons,

25 percent of which went to hard-currency countries.

The continued upward trend in sugarbeet production has made the Soviet Union a major exporter of sugar. Exports of refined sugar in 1966 reached 933,000 tons, 84 percent of which was sold or bartered to non-communist countries. The Soviet Union also imported 1.84 million tons of raw sugar from Cuba in 1966 and has commitments to import substantially larger amounts annually through 1970.

The Soviets are not actively engaged in the commercial markets for meat and livestock products. Eastern Europe is the principal supplier from the area to the West European markets. There is little likelihood that the Soviet Union can or will move into this market in the near future.

U. S. agricultural exports to the Soviet Union averaged about \$26 million in 1965 and 1966, dropping back sharply from the \$129 million level of 1963. Heavy sales of grain accounted for most of the exports in that year. Major products sold to the USSR in subsequent years were hides, skins, and tallow.

U. S. agricultural imports from the Soviet Union have remained above the \$2.5 million mark since 1965. Although small, imports have increased almost every year since 1961. Products imported include cotton linters, licorice root, sheep and lamb skins, crude bristles, and mushrooms.

OUTLOOK

Soviet goals for 1968 call for a 7.4-percent gain in gross agricultural output, up considerably from the 1966-67 2-year average growth rate of about 5 percent. This strong upward thrust is probably the growth rate that is needed to attain the overall annual

increase planned for 1970, rather than an objective evaluation of real potential.

Although not discounting the possible recovery from the substantial drop in grain output that developed in 1967, much of the additional gain needed to attain this high goal will have to come from the livestock sector. When considering that January 1, 1968, numbers and feed grain reserves are below those of 1967, the planned goal for 1968 appears to be quite optimistic.

However, the 1968 plans do imply that the rate of agricultural investment, or at least an absolute gain in fixed investment, will continue. Stated plans actually call for a 7.6-percent increase in total fixed capital investments above the 1967 level of approximately 13.1 billion rubles.

Plans indicate that deliveries of tractors and trucks to agriculture will be increased to 307,000 and 165,000 units respectively, in 1968. Deliveries of fertilizers are also planned to reach 35.2 million tons, bulk weight--up approximately 4 percent from the 1967 level.

Policy statements suggest that the Government not only plans to expand its cost-accounting program to more state farms in 1968, but also to continue the program for the development of ancillary industries on collective farms. The latter program is judged to be of primary importance for raising farm income and keeping young people in rural areas.

Actual planned commodity programs have not been officially announced, but early evidence indicates that the fall-sown area of grain was planned to reach more than 40 million hectares, approximately a 10-percent increase from the previous year's harvested area. Fall planting, however, was carried out under less-than-optimum weather conditions.

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Table 4.--Western Europe: Production

Country and year	Grains																												
	Production								Area																				
	Wheat	Rye	Feed grains				Rice 2/	Total grains	Wheat	Rye	Feed grains																		
			Barley	Oats	Other	Total					Barley	Oats	Other	Total															
----- 1,000 tons -----															----- 1,000 hectares -----														
EEC:																													
Belgium-Luxembourg:																													
1964	939	143	534	403	43	980	---	2,062	235	45	137	120	13	270															
1965	900	108	550	338	45	933	---	1,941	245	39	157	113	15	285															
1966	689	81	523	324	47	894	---	1,664	230	33	173	105	16	294															
1967	878	100	669	406	61	1,136	---	2,114	214	31	166	111	17	294															
France:																													
1964	13,838	389	6,791	2,310	2,598	11,699	122	26,048	4,388	220	2,360	1,094	1,131	4,585															
1965	14,760	387	7,378	2,509	3,957	13,844	98	29,089	4,521	221	2,430	1,070	1,107	4,607															
1966	11,297	356	7,421	2,578	4,973	14,972	100	26,725	3,992	197	2,642	1,094	1,235	4,971															
1967	14,383	362	9,724	2,758	4,461	16,943	116	31,804	3,934	186	2,760	1,022	1,314	5,096															
West Germany:																													
1964	5,203	3,609	3,915	2,308	1,515	7,738	---	16,550	1,446	1,146	1,153	766	486	2,405															
1965	4,348	2,825	3,365	2,052	1,297	6,714	---	13,887	1,412	1,128	1,193	727	465	2,385															
1966	4,533	2,696	3,869	2,340	1,386	7,595	---	14,824	1,389	1,021	1,288	778	464	2,530															
1967	5,819	3,162	4,734	2,718	1,592	9,044	---	18,025	1,414	975	1,308	808	467	2,583															
Italy:																													
1964	8,586	86	252	466	3,982	4,700	624	13,996	4,408	51	197	384	1,078	1,659															
1965	9,776	83	285	527	3,338	4,150	509	14,518	4,288	48	186	367	1,033	1,586															
1966	9,406	83	253	477	3,532	4,262	616	14,367	4,274	46	179	359	993	1,531															
1967	9,564	82	295	556	3,844	4,695	770	15,111	4,012	46	181	357	1,023	1,561															
Netherlands:																													
1964	712	356	376	420	125	921	---	1,989	151	106	87	103	34	224															
1965	704	250	373	363	89	825	---	1,779	158	98	99	100	29	228															
1966	597	190	416	357	61	834	---	1,621	148	74	120	99	21	240															
1967	739	239	447	365	50	862	---	1,840	154	73	107	88	14	209															
Totals:																													
1964	29,278	4,583	11,868	5,907	8,263	26,038	746	60,645	10,628	1,568	3,934	2,467	2,742	9,143															
1965	30,488	3,653	11,951	5,789	8,726	26,466	607	61,214	10,624	1,534	4,065	2,377	2,649	9,091															
1966	26,522	3,406	12,482	6,076	9,999	28,557	776	59,201	10,033	1,371	4,402	2,435	2,729	9,566															
1967	31,383	3,945	15,869	6,803	10,008	32,680	886	68,894	9,728	1,311	4,522	2,386	2,835	9,743															
EFTA:																													
Austria:																													
1964	751	388	605	327	279	1,211	---	2,350	283	166	227	143	77	447															
1965	661	316	523	274	247	1,044	---	2,021	276	157	220	136	78	434															
1966	897	363	706	325	358	1,389	---	2,649	314	144	230	126	86	442															
1967	1,045	377	772	336	404	1,512	---	2,934	316	139	232	124	92	448															
Denmark:																													
1964	541	292	3,900	821	659	5,380	---	6,213	128	93	950	211	186	1,347															
1965	564	265	4,125	780	479	5,384	---	6,213	126	88	1,041	203	138	1,382															
1966	400	136	4,159	864	401	5,424	---	5,960	94	46	1,112	234	119	1,465															
1967	421	118	4,385	905	328	5,618	---	6,157	91	37	1,170	243	97	1,510															
Norway:																													
1964	20	2	480	126	2	608	---	630	7	1	182	52	1	235															
1965	12	2	485	113	2	600	---	614	4	1	189	46	1	236															
1966	4	1	405	92	2	499	---	504	2	2/	188	41	1	230															
1967	11	2	486	123	2	611	---	624	3	1	179	45	1	225															
Portugal:																													
1964	472	167	46	68	597	711	181	1,531	685	312	110	242	496	848															
1965	612	209	72	99	459	630	139	1,590	628	316	126	271	484	881															
1966	306	168	51	68	536	655	159	1,288	490	261	100	223	527	850															
1967	566	204	88	121	570	779	147	1,696	650	262	108	265	489	862															

See footnotes at end of table.

and area of selected crops, 1964-67 1/

Grains--Cont.		Other crops											
Area--Continued		Production								Area			
Rice	Total	Potatoes	Sugar-	Cotton	Tobacco	Olive	Fruit 3/			Potatoes	Sugar-	Cotton	Total
2/	grains		beets		2/	oil	Apples	Pears	Citrus		beets		
						2/							
1,000 hectares					1,000 tons						1,000 hectares		
---	550	1,829	4/3,114	---	4/2	---	189	4/70	---	65	4/6	---	---
---	569	1,493	4/2,537	---	4/2	---	175	4/45	---	67	4/65	---	---
---	557	4/1,475	4/2,586	---	4/2	---	216	4/30	---	4/59	4/66	---	---
---	539	4/1,320	4/3,420	---	4/2	---	4/270	4/50	---	4/62	4/6	---	---
30	9,223	11,419	16,241	---	43	2	1,039	331	---	680	4/8	---	---
30	9,379	11,068	16,961	---	49	2	1,060	281	---	564	4/8	---	---
28	9,188	10,049	12,750	---	47	2	1,217	297	---	601	4/90	---	---
27	9,242	10,174	12,000	---	47	2	1,408	317	---	738	4/1	---	---
---	4,997	20,624	12,863	---	10	---	1,216	484	---	851	3/87	---	---
---	4,925	18,095	10,357	---	9	---	1,172	303	---	783	3/8	---	---
---	4,940	18,839	12,508	---	9	---	1,473	351	---	732	3/82	---	---
---	4,972	19,850	12,800	---	8	---	2,275	405	---	707	3/8	---	---
120	6,238	3,823	7,966	5	79	304	2,381	1,081	1,804	356	3/31	15	79
126	6,048	3,550	9,079	4	73	420	2,185	962	1,776	343	3/82	14	31
132	5,983	3,883	11,256	3	73	319	2,584	1,249	2,028	347	3/98	11	34
142	5,761	4,040	11,880	2	73	430	2,190	1,020	2,030	337	3/32	13	34
---	481	3,882	3,876	---	---	---	515	146	---	116	79	---	---
---	484	3,090	3,573	---	---	---	358	79	---	115	92	---	---
---	462	4,124	3,645	---	---	---	360	116	---	123	92	---	---
---	436	4,000	5,200	---	---	---	450	75	---	129	100	---	---
150	21,489	41,577	44,060	5	134	306	5,340	2,112	1,804	2,068	1,126	15	79
156	21,405	37,296	42,507	4	133	422	4,950	1,670	1,776	1,872	1,127	14	31
160	21,130	38,370	42,745	3	131	321	5,350	2,043	2,028	1,862	1,038	11	31
169	20,951	39,884	45,300	2	130	432	6,593	1,867	2,030	1,773	1,121	17	31
---	896	3,438	2,203	---	1	---	241	64	---	153	53	---	---
---	867	2,540	1,462	---	1	---	178	42	---	145	38	---	---
---	900	3,007	2,308	---	1	---	227	52	---	137	47	---	---
---	903	2,700	1,792	---	1	---	246	54	---	134	47	---	---
---	1,568	1,213	3,154	---	---	---	6/86	6/8	---	54	54	---	---
---	1,596	937	1,883	---	---	---	6/87	6/7	---	41	61	---	---
---	1,605	972	2,154	---	---	---	6/77	6/7	---	40	58	---	---
---	1,638	874	1,961	---	---	---	6/79	6/6	---	38	53	---	---
---	243	804	---	---	---	---	56	6	---	50	---	---	---
---	241	1,134	---	---	---	---	43	8	---	48	---	---	---
---	232	1,063	---	---	---	---	41	9	---	45	---	---	---
---	229	854	---	---	---	---	49	5	---	40	---	---	---
38	1,883	1,143	---	---	---	41	n.a.	n.a.	n.a.	109	---	---	---
35	1,860	888	---	---	---	72	n.a.	n.a.	n.a.	111	---	---	---
34	1,635	905	---	---	---	34	n.a.	n.a.	n.a.	105	---	---	---
33	1,807	1,251	---	---	---	59	n.a.	n.a.	n.a.	110	---	---	---

--Continued

Table 4.--Western Europe: Production

Country and year	Grains													
	Production								Area					
	Wheat	Rye	Feed grains				Rice: 2/	Total grains	Wheat	Rye	Feed grains			
			Barley	Oats	Other	Total					Barley	Oats	Other	Total
----- 1,000 tons ----- 1,000 hectares -----														
Sweden:														
1964	1,064	122	1,375	1,448	456	3,279	---	4,465	259	42	439	475	165	1,079
1965	1,038	171	1,437	1,340	410	3,187	---	4,396	277	61	465	445	145	1,055
1966	576	85	1,408	1,154	266	2,828	---	3,489	191	39	568	461	116	1,145
1967	1,128	196	1,565	1,384	265	3,214	---	4,538	256	62	530	439	95	1,064
Switzerland:														
1964	368	63	105	38	57	200	---	631	101	17	30	11	15	56
1965	335	58	95	28	54	177	---	570	104	18	32	10	17	59
1966	338	46	107	33	54	194	---	578	105	14	32	10	15	57
1967	432	68	148	31	64	243	---	743	103	15	31	9	15	55
United Kingdom:														
1964	3,793	25	7,523	1,346	103	8,972	---	12,790	893	8	2,036	455	32	2,523
1965	4,171	21	8,191	1,233	92	9,517	---	13,708	1,026	7	2,183	410	30	2,623
1966	3,475	11	8,724	1,134	94	9,952	---	13,438	906	4	2,481	367	30	2,878
1967	3,912	12	9,398	1,382	107	10,887	---	14,811	933	4	2,439	410	36	2,885
Totals:														
1964	7,009	1,059	14,034	4,174	2,153	20,361	181	28,610	2,356	639	3,974	1,589	972	6,535
1965	7,393	1,042	14,928	3,867	1,743	20,539	139	29,112	2,441	648	4,256	1,521	893	6,670
1966	5,996	810	15,560	3,670	1,711	20,941	159	27,906	2,102	508	4,711	1,462	894	7,067
1967	7,515	977	16,842	4,282	1,740	22,864	147	31,503	2,352	520	4,689	1,535	825	7,049
Other W. Europe:														
Finland:														
1964	463	163	370	742	41	1,153	---	1,779	268	103	252	470	32	754
1965	501	190	502	1,020	59	1,581	---	2,272	267	111	252	472	29	753
1966	369	119	597	881	52	1,530	---	2,018	209	93	321	479	30	830
1967	507	163	681	940	60	1,681	---	2,351	252	96	346	455	31	832
Greece:														
1964	2,170	22	278	155	306	739	113	3,044	1,207	19	188	121	162	471
1965	1,989	19	412	177	319	908	105	3,021	1,124	16	231	125	155	511
1966	1,962	15	632	174	325	1,131	86	3,194	1,018	13	321	122	148	591
1967	1,848	14	839	163	335	1,337	89	3,288	937	11	390	109	144	643
Ireland:														
1964	244	1	548	304	---	852	---	1,097	87	1	183	117	---	300
1965	209	2	573	316	---	889	---	1,100	74	1	181	114	---	295
1966	168	2	610	290	---	900	---	1,070	53	1	187	98	---	285
1967	249	2	610	305	---	915	---	1,166	76	1	182	96	---	278
Spain:														
1964	3,976	346	1,927	390	1,216	3,533	398	8,253	4,137	406	1,405	509	532	2,446
1965	4,716	349	1,891	370	1,152	3,413	350	8,828	4,254	393	1,374	502	498	2,374
1966	4,876	357	2,183	418	1,163	3,764	385	9,382	4,200	389	1,296	451	456	2,203
1967	5,598	309	2,632	443	1,225	4,300	460	10,667	4,269	386	1,500	485	488	2,473
Totals:														
1964	6,853	532	3,123	1,591	1,563	6,277	511	14,173	5,699	529	2,028	1,217	726	3,971
1965	7,415	560	3,378	1,883	1,530	6,791	455	15,221	5,719	521	2,038	1,213	682	3,933
1966	7,375	493	4,022	1,763	1,540	7,325	471	15,664	5,480	496	2,125	1,150	634	3,909
1967	8,202	488	4,762	1,851	1,620	8,233	549	17,472	5,534	494	2,418	1,145	663	4,226
Total W. Europe:														
1964	43,140	6,174	29,025	11,672	11,979	52,676	1,438	103,428	18,683	2,736	9,936	5,273	4,440	19,649
1965	45,296	5,255	30,257	11,539	11,999	53,796	1,201	105,547	18,784	2,703	10,359	5,111	4,224	19,694
1966	39,893	4,709	32,064	11,509	13,250	56,823	1,346	102,771	17,615	2,375	11,238	5,047	4,257	20,542
1967	47,100	5,410	37,473	12,936	13,368	63,777	1,582	117,869	17,614	2,325	11,629	5,066	4,323	21,018

1/ 1967 data are estimates.

2/ 1966 data are preliminary.

3/ Data for apples and pears include those for dessert and cooking only; fruit totals exclude Portugal.

4/ Belgium only.

5/ Less than 500.

6/ Commercial crop.

and area of selected crops, 1964-67 1/--Continued

Grains--Cont.		Other crops											
Area--Continued		Production								Area			
Rice 2/	Total grains	Potatoes	Sugar- beets	Cotton	Tobacco 2/	Olive oil 2/	Fruit 3/			Potatoes	Sugar- beets	Cotton	Tobacco 2/
							Apples	Pears	Citrus				
1,000 hectares					1,000 tons					1,000 hectares			
---	1,380	1,477	1,731	---	---	---	262	75	---	81	44	---	---
---	1,393	1,542	1,340	---	---	---	187	54	---	73	43	---	---
---	1,375	1,355	1,434	---	---	---	184	37	---	66	40	---	---
---	1,382	1,269	1,800	---	---	---	231	55	---	56	39	---	---
---	174	1,206	362	---	2	---	199	34	---	45	8	---	1
---	181	1,291	298	---	2	---	153	23	---	42	8	---	1
---	176	1,310	365	---	2	---	178	27	---	41	8	---	1
---	173	1,320	390	---	2	---	194	39	---	38	9	---	1
---	3,424	7,064	6,318	---	---	---	640	69	---	315	179	---	---
---	3,656	7,578	6,813	---	---	---	538	70	---	300	184	---	---
---	3,788	6,580	6,599	---	---	---	435	42	---	271	180	---	---
---	3,822	7,080	6,858	---	---	---	336	23	---	207	185	---	---
38	9,568	16,345	13,768	---	3	41	1,484	256	---	812	368	---	1
35	9,794	15,910	11,796	---	3	72	1,191	205	---	750	334	---	1
34	9,711	15,192	12,860	---	3	34	1,152	174	---	705	333	---	1
33	9,954	15,348	12,801	---	3	59	1,134	168	---	623	328	---	1
---	1,125	850	431	---	---	---	---	---	---	71	20	---	---
---	1,131	1,257	408	---	---	---	---	---	---	73	20	---	---
---	1,132	1,066	457	---	---	---	---	---	---	68	17	---	---
---	1,180	1,000	432	---	---	---	---	---	---	64	18	---	---
25	1,722	632	533	68	136	129	160	53	412	50	12	140	144
22	1,673	589	702	75	125	191	166	45	418	48	16	136	129
17	1,639	579	831	88	98	186	166	55	516	48	16	140	125
17	1,608	635	848	96	114	230	179	69	497	48	16	141	128
---	388	1,526	893	---	---	---	---	---	---	74	36	---	---
---	370	1,648	758	---	---	---	---	---	---	70	27	---	---
---	339	1,678	704	---	---	---	---	---	---	68	22	---	---
---	355	1,592	905	---	---	---	---	---	---	64	26	---	---
64	7,053	4,254	3,331	74	25	200	295	159	1,915	365	144	197	17
59	7,080	4,090	3,996	81	32	314	328	169	1,991	371	150	204	19
58	6,850	4,167	4,054	89	19	462	362	170	2,468	376	153	222	12
59	7,187	4,191	4,575	65	28	273	320	110	2,211	381	162	148	18
89	10,288	7,262	5,188	142	161	329	455	212	2,327	560	212	337	161
81	10,254	7,584	5,864	156	157	505	494	214	2,409	562	213	340	148
75	9,960	7,490	6,046	177	117	648	528	225	2,984	560	208	362	157
76	10,330	7,418	6,760	161	142	503	499	179	2,708	557	222	389	146
277	41,345	65,184	63,016	147	298	676	7,279	2,580	4,131	3,440	1,776	352	141
272	41,453	60,790	60,167	160	293	999	6,635	2,089	4,185	3,184	1,674	374	130
269	40,801	61,052	61,651	180	251	1,003	7,530	2,442	5,012	3,127	1,579	373	118
278	41,235	62,650	64,861	163	275	994	8,226	2,214	4,738	2,953	1,511	290	128

Table 5.--Western Europe: Production of principal livestock products, 1964-67 1/

Country and year	Beef, veal	Mutton, lamb, goatmeat	Pork 2/	Total red meat 3/	Poultry meat 4/	Cow's milk	Wool 5/	Eggs
				1,000 tons				Millions
EEC:								
Belgium-Luxembourg:								
1964	217	3	224	453	85	4,004	0.4	3,167
1965	214	4	255	482	94	4,129	0.4	2,888
1966	231	3	281	524	92	4,198	0.4	2,932
1967	230	3	295	535	100	4,214	0.4	2,960
France:								
1964	1,522	127	1,267	3,016	440	25,260	24.0	9,740
1965	1,634	135	1,320	3,192	470	26,771	27.7	9,220
1966	1,718	142	1,319	3,272	480	28,110	27.9	9,700
1967	1,833	143	1,382	3,420	488	29,000	27.9	9,602
West Germany:								
1964	1,167	14	1,862	3,053	142	20,830	3.4	9,997
1965	1,119	12	1,933	3,074	152	21,253	3.1	11,194
1966	1,194	11	1,894	3,107	175	21,566	2.9	12,901
1967	1,210	12	1,947	3,179	180	21,950	3.0	13,000
Italy:								
1964	574	40	454	1,110	310	8,963	13.3	8,287
1965	566	37	447	1,092	368	9,184	15.5	9,900
1966	673	41	421	1,177	349	9,540	14.8	10,570
1967	750	45	437	1,274	355	9,526	15.7	11,000
Netherlands:								
1964	275	6	416	706	130	6,956	0.9	5,095
1965	283	11	491	796	151	7,142	0.9	4,213
1966	282	9	504	801	176	7,235	1.0	4,144
1967	288	9	522	828	195	7,475	1.0	3,659
Total:								
1964	3,755	190	4,223	8,338	1,107	66,013	42.0	36,286
1965	3,816	199	4,446	8,636	1,235	68,479	47.6	37,415
1966	4,098	206	4,419	8,881	1,272	70,649	47.0	40,247
1967	4,311	212	4,583	9,236	1,318	72,165	48.0	40,221
EFTA:								
Austria:								
1964	138	1	248	390	24	3,128	0.7	1,607
1965	130	1	259	393	29	3,209	0.7	1,503
1966	148	1	244	395	33	3,216	0.7	1,423
1967	152	1	252	407	34	3,240	0.7	1,466
Denmark:								
1964	155	1	649	807	74	5,233	0.1	1,701
1965	153	1	704	862	64	5,367	0.1	1,531
1966	178	1	696	879	66	5,309	0.1	1,599
1967	196	1	735	936	64	5,209	0.1	1,551
Norway:								
1964	58	15	55	130	3	1,668	4.0	550
1965	57	16	59	134	3	1,625	5.0	556
1966	59	16	59	136	3	1,630	5.3	571
1967	60	17	60	140	3	1,654	5.3	575
Portugal:								
1964	46	23	82	153	8	368	11.8	594
1965	61	23	78	165	8	377	11.8	606
1966	64	22	81	168	8	390	11.9	618
1967	50	22	70	144	9	400	12.0	620

Table 5.--Western Europe: Production of principal livestock products, 1964-67 ^{1/}--Continued

Country and year	Beef, veal	Mutton, lamb, goatmeat	Pork 2/	Total red meat 3/	Poultry meat 4/	Cow's milk	Wool 5/	Eggs
				1,000 tons				Millions
Sweden:								
1964	152	2	205	368	20	3,652	0.6	1,584
1965	151	2	209	370	21	3,655	0.6	1,552
1966	173	2	214	398	23	3,545	0.6	1,568
1967 ...	170	2	218	396	26	3,240	0.6	1,596
Switzerland:								
1964	109	3	138	252	11	3,014	0.5	540
1965	112	3	152	269	12	3,095	0.5	575
1966	114	3	149	269	13	3,131	0.5	615
1967	117	3	157	280	14	3,350	0.5	700
United Kingdom:								
1964	876	256	844	1,976	398	6/10,925	57.5	15,204
1965	832	245	943	2,020	407	6/11,386	58.7	14,520
1966	867	270	895	2,032	426	6/11,276	60.3	14,760
1967	923	261	823	2,007	450	6/11,517	58.5	14,950
Total:								
1964	1,534	301	2,221	4,076	538	27,988	75.2	21,780
1965	1,496	291	2,404	4,213	544	28,714	77.4	20,843
1966	1,603	315	2,338	4,277	572	28,497	79.4	21,154
1967	1,668	307	2,315	4,309	600	28,610	77.7	21,458
Other W. Europe:								
Finland:								
1964	98	2	67	171	2	3,826	1.1	864
1965	96	2	69	172	2	3,765	1.1	889
1966	85	2	73	166	2	3,689	1.1	918
1967	87	2	82	176	2	3,600	1.1	935
Greece:								
1964	47	89	34	170	30	425	12.1	1,532
1965	53	92	36	181	34	492	11.8	1,559
1966	58	92	40	190	38	522	8.9	1,611
1967	63	89	42	194	40	544	8.8	1,650
Ireland:								
1964	113	47	120	280	21	2,996	11.6	791
1965	113	45	139	297	23	3,135	11.6	793
1966	135	49	126	310	25	3,226	11.3	786
1967	216	43	113	372	26	3,434	10.5	780
Spain:								
1964	225	129	326	700	142	3,228	36.6	6,379
1965	177	134	276	608	147	3,378	36.2	6,424
1966	198	133	376	724	213	3,824	36.0	6,648
1967	216	133	460	829	275	4,021	36.0	6,780
Total W. Europe:								
1964	5,772	758	6,991	13,735	1,840	104,476	173.6	67,532
1965	5,751	763	7,370	14,107	1,985	107,963	175.7	67,923
1966	6,177	797	7,372	14,548	2,122	110,407	173.7	71,364
1967	6,561	786	7,595	15,116	2,261	112,374	182.1	71,824

1/ Preliminary. 2/ Excludes commercial lard. 3/ Includes horsemeat. 4/ On ready-to-cook basis.
 5/ Greasy basis. 6/ Milk for commercial use only.

Table 6.--Eastern Europe and Soviet Union:

Country and year	Grains										
	Production							Area			
	Wheat	Rye	Barley	Oats	Corn	Other	Total	Wheat	Rye	Barley	
						2/					
	1,000 tons							1,000 hectares			
Bulgaria:											
1963	1,892	56	618	133	1,732	47	4,478	1,188	57	343	
1964	2,118	64	764	149	2,056	37	5,188	1,194	58	358	
1965	2,921	52	876	104	1,238	37	5,228	1,145	46	37	
1966	3,193	56	1,064	170	2,207	49	6,739	1,142	42	416	
1967	3,200	50	986	170	2,058	53	6,517	1,060	40	420	
Czechoslovakia:											
1963	1,766	880	1,620	797	578	---	5,641	720	426	692	
1964	1,829	870	1,429	669	465	---	5,262	831	406	686	
1965	1,992	822	1,399	630	393	---	5,236	826	410	668	
1966	2,247	790	1,608	746	476	---	5,867	892	395	690	
1967	2,500	690	1,937	957	423	---	6,507	929	321	712	
East Germany:											
1963	1,280	1,675	1,197	807	3	576	5,538	426	820	424	
1964	1,348	1,890	1,496	775	0	675	6,184	433	823	464	
1965	1,802	1,910	1,651	758	0	610	6,731	491	822	497	
1966	1,521	1,642	1,525	703	0	525	5,916	484	771	521	
1967	1,700	1,700	1,440	760	0	638	6,238	510	800	480	
Hungary:											
1963	1,523	215	869	106	3,551	48	6,312	976	208	486	
1964	2,059	265	818	55	3,509	35	6,741	1,112	247	522	
1965	2,347	288	1,012	63	3,564	21	7,295	1,082	246	501	
1966	2,192	242	916	72	3,907	31	7,360	1,015	220	490	
1967	2,716	225	927	62	3,000	34	6,964	1,056	210	447	
Poland:											
1963	3,067	7,124	1,479	2,830	14	546	15,060	1,541	4,383	748	
1964	3,042	6,964	1,261	2,218	18	486	13,989	1,626	4,404	741	
1965	3,422	8,289	1,468	2,541	15	554	16,289	1,660	4,494	700	
1966	3,646	7,777	1,400	2,665	13	583	16,084	1,699	4,376	688	
1967	3,916	7,700	1,400	2,800	13	600	16,429	1,750	4,300	645	
Romania:											
1963	3,799	78	351	124	6,023	61	10,436	2,874	80	224	
1964	3,824	92	348	79	6,692	72	11,107	2,959	91	196	
1965	5,937	125	485	124	5,877	53	12,601	2,983	102	233	
1966	5,065	100	483	170	8,022	59	13,899	3,034	91	246	
1967	5,800	130	540	170	6,800	73	13,383	2,900	85	250	
Yugoslavia:											
1963	4,140	156	524	345	5,380	54	10,599	2,140	157	350	
1964	3,700	175	534	293	6,960	52	11,714	2,100	157	369	
1965	3,460	156	682	338	5,920	56	10,612	1,680	146	405	
1966	4,600	176	713	386	7,980	52	13,907	1,830	141	394	
1967	4,820	171	606	364	7,170	50	13,181	1,880	138	352	
Total Eastern Europe:											
1963	17,467	10,184	6,658	5,142	17,281	1,332	58,064	9,865	6,131	3,268	
1964	17,920	10,320	6,650	4,238	19,700	1,357	60,185	10,225	6,186	3,336	
1965	21,881	11,642	7,573	4,558	17,007	1,331	63,992	9,867	6,266	3,376	
1966	22,464	10,783	7,709	4,912	22,605	1,299	69,772	10,096	6,036	3,445	
1967	24,652	10,666	7,836	5,283	19,464	1,448	69,219	10,085	5,896	3,306	
USSR 6/:											
1963	40,000	11,700	16,400	3,700	8,500	7/9,682	7/89,982	64,609	15,025	20,400	
1964	57,700	12,800	23,800	3,900	9,200	7/14,203	7/121,603	67,887	16,807	21,700	
1965	46,500	14,500	19,000	4,600	6,400	7/9,363	7/100,363	70,200	16,030	19,700	
1966	85,000	12,000	24,000	7,500	6,800	7/10,565	7/145,865	70,000	13,600	19,400	
1967	64,600	14,300	24,200	6,800	5,880	7/10,683	7/126,463	65,800	15,000	19,900	
Total Eastern Europe and USSR:											
1963	57,467	21,884	23,058	8,842	25,781	11,014	148,046	74,474	21,156	23,668	
1964	75,620	23,120	30,450	8,138	28,900	15,560	181,788	78,142	22,993	25,036	
1965	68,381	26,142	26,573	9,158	23,407	10,693	164,355	80,068	22,296	23,076	
1966	107,463	22,783	31,709	12,412	29,406	11,564	215,637	80,096	19,636	22,845	
1967	89,252	24,966	32,036	12,083	25,344	12,131	195,682	75,885	20,896	23,206	

1/ 1967 data are preliminary. 2/ Excludes rice. 3/ Sunflower seed is the major oilseed in Bulgaria, Hungary, 4/ Oriental and flue-cured. 5/ Less than 500 tons or 500 hectares. 6/ Data on production of grains (includes makhorka only.

n.a. = Not available.

Production and area of selected crops, 1963-67 1/

Grains--Continued					Other Crops									
Area--Continued					Production					Area				
Oats	Corn	Other	Total	Potatoes	Sugar- beets	Cotton	Tobacco	Oilseeds	Potatoes	Sugar- beets	Cotton	Tobacco	Oilseeds	
		2/						3/					3/	
1,000 hectares					1,000 tons					1,000 hectares				
133	660	18	2,399	415	1,122	40	4/105	338	43	69	52	124	260	
130	658	18	2,416	497	2,100	43	4/150	340	41	77	46	131	244	
119	555	16	2,253	285	1,392	38	4/123	362	37	68	46	121	262	
130	574	16	2,320	421	2,528	69	4/132	431	34	63	49	120	258	
130	568	16	2,234	380	2,100	55	4/116	468	38	67	50	117	271	
409	213	---	2,460	6,506	8,018	---	8	41	502	259	---	6	38	
394	186	---	2,503	7,656	7,474	---	9	46	491	243	---	6	48	
375	161	---	2,440	3,678	5,662	---	5	74	444	220	---	5	51	
389	152	---	2,518	5,846	7,762	---	8	78	437	225	---	6	48	
433	146	---	2,541	5,590	7,237	---	8	84	402	206	---	7	49	
315	1	253	2,239	12,886	6,176	---	6	138	742	232	---	5	123	
295	0	272	2,287	12,872	6,003	---	8	184	747	230	---	5	122	
260	0	234	2,304	12,857	5,804	---	6	233	725	221	---	4	121	
261	0	230	2,267	12,823	6,611	---	7	221	694	211	---	4	125	
290	0	250	2,330	12,096	6,843	---	7	220	672	211	---	4	125	
90	1,289	19	3,068	2,026	3,434	---	27	145	232	118	---	20	144	
71	1,209	18	3,179	1,650	3,554	---	29	127	210	133	---	22	130	
57	1,218	17	3,121	1,485	3,452	---	18	94	208	121	---	22	118	
61	1,237	19	3,042	2,433	3,570	---	20	121	198	108	---	22	126	
56	1,230	20	3,019	1,780	2,944	---	22	100	191	104	---	22	126	
1,682	7	373	8,734	44,868	10,661	---	73	291	2,840	372	---	34	212	
1,561	7	343	8,682	47,860	12,574	---	95	328	2,830	444	---	49	251	
1,349	7	347	8,557	43,263	12,314	---	52	587	2,803	476	---	41	289	
1,418	6	360	8,547	46,751	13,600	---	48	529	2,766	435	---	39	306	
1,378	6	365	8,444	48,682	15,486	---	58	730	2,766	435	---	33	325	
130	3,379	22	6,709	2,692	2,298	5/	40	563	332	178	5/	41	543	
89	3,319	39	6,693	2,640	3,668	5/	42	576	319	190	5/	40	552	
116	3,306	26	6,766	2,195	3,275	5/	34	624	319	190	5/	38	541	
138	3,288	24	6,821	3,352	4,368	5/	40	742	317	194	5/	38	558	
125	3,300	25	6,685	3,100	3,824	5/	41	775	300	190	5/	33	565	
315	2,410	34	5,406	3,020	2,670	9	54	246	321	96	10	53	154	
306	2,430	31	5,393	2,820	2,830	8	66	278	320	88	10	65	160	
321	2,550	31	5,133	2,380	2,620	6	54	283	320	80	8	61	175	
320	2,500	28	5,213	3,230	4,030	6	54	303	333	106	8	63	169	
287	2,490	26	5,175	3,300	3,600	7	60	281	340	101	8	60	164	
3,074	7,959	719	31,015	72,413	34,379	49	313	1,762	5,012	1,384	62	283	1,440	
2,846	7,809	721	31,153	75,995	38,203	51	399	1,879	4,958	1,405	56	318	1,513	
2,597	7,797	671	30,574	66,143	34,519	44	292	2,257	4,856	1,376	54	292	1,563	
2,717	7,757	677	30,728	74,856	42,469	75	309	2,425	4,779	1,342	57	292	1,590	
2,699	7,740	702	30,428	74,928	42,034	62	312	2,658	4,709	1,314	58	276	1,625	
5,700	6,995	16,754	129,483	64,651	44,052	5,210	8/150	4,526	8,500	3,750	2,480	n.a.	6,150	
5,700	5,114	15,726	132,934	84,278	81,174	5,285	8/227	6,108	8,500	4,110	2,460	n.a.	6,270	
6,600	3,117	12,070	127,717	79,808	72,276	5,662	8/212	5,584	8,600	3,882	2,440	n.a.	6,530	
7,200	3,200	11,342	124,742	79,110	73,800	5,980	8/235	6,500	8,400	3,803	2,460	n.a.	6,503	
7,200	3,460	12,176	123,536	82,000	85,085	6,000	8/245	6,885	8,500	3,712	2,380	n.a.	6,600	
8,774	14,954	17,473	160,498	137,064	78,431	5,259	463	6,288	13,512	5,136	2,542	n.a.	7,390	
8,546	12,923	16,447	164,087	160,273	119,377	5,336	626	7,987	13,458	5,515	2,516	n.a.	7,783	
9,197	10,914	12,740	158,271	145,951	106,795	5,706	504	7,841	13,456	5,258	2,494	n.a.	8,093	
9,917	10,957	12,019	155,470	153,966	116,269	6,055	544	8,925	13,179	5,145	2,517	n.a.	8,093	
9,899	11,200	12,878	153,964	156,928	127,119	6,062	557	9,543	13,209	5,026	2,438	n.a.	8,255	

Yugoslavia, and the USSR, while rapeseed is the major oilseed in Czechoslovakia, East Germany, and Poland. pulses), potatoes, and total oilseeds are USDA estimates. 7/ Includes pulses. 8/ Procurements of tobacco and

Table 7.--Eastern Europe and Soviet Union: Production of principal livestock products, 1963-67 ^{1/}

Country and year	Beef, veal	Mutton, lamb, goatmeat	Pork	Poultry meat	Total meat	Milk	Wool ^{2/}	Eggs
	1,000 tons				Millions			
Bulgaria:								
1963	67	49	128	32	289	1,171	24	1,246
1964	68	57	145	35	320	1,303	25	1,326
1965	78	74	188	44	385	1,388	26	1,449
1966	90	81	178	52	403	1,501	25	1,490
1967	90	88	178	52	410	1,616	26	1,654
Czechoslovakia:								
1963	210	2	376	50	638	3/3,535	2	2,515
1964	228	1	394	50	673	3/3,763	2	2,695
1965	230	2	442	50	724	3/3,924	2	3,007
1966	251	2	415	58	726	3/4,169	2	3,080
1967	268	2	420	68	758	3/4,350	2	3,113
East Germany:								
1963	213	---	650	64	957	5,773	8	3,250
1964	226	---	748	64	1,069	5,947	8	3,696
1965	244	---	798	64	1,131	6,542	8	3,935
1966	276	---	818	65	1,183	6,887	8	3,894
1967	299	---	866	84	1,274	7,013	8	3,968
Hungary:								
1963	149	13	289	131	587	3/1,804	10	1,887
1964	129	10	290	143	576	3/1,856	10	2,200
1965	140	13	320	144	621	3/1,762	10	2,392
1966	152	15	314	150	635	3/1,845	10	2,436
1967	151	15	294	160	624	3/1,956	10	2,630
Poland:								
1963	443	22	1,120	73	1,818	3/12,653	7	5,751
1964	462	19	1,102	82	1,840	3/12,604	7	6,000
1965	434	20	1,306	89	2,015	3/13,344	8	6,264
1966	440	20	1,345	104	2,086	3/14,235	8	6,253
1967	462	20	1,300	114	2,083	3/14,400	8	6,300
Romania:								
1963	180	65	252	68	565	2,537	23	2,258
1964	198	70	348	81	697	2,490	25	2,456
1965	4/210	4/70	337	4/85	702	2,684	25	2,630
1966	4/225	4/70	374	4/93	762	3,093	26	2,814
1967	235	75	390	4/97	797	3,248	28	2,900
Yugoslavia:								
1963	208	45	246	67	611	2,342	13	1,643
1964	180	42	314	73	657	2,406	12	1,733
1965	183	44	395	80	757	2,474	13	1,746
1966	216	46	287	88	686	2,696	13	1,996
1967	225	48	300	100	725	2,844	14	2,250
Total Eastern Europe:								
1963	1,470	196	3,061	485	5,465	29,815	87	18,550
1964	1,491	199	3,341	528	5,832	30,369	89	20,106
1965	1,519	223	3,786	556	6,335	32,118	92	21,423
1966	1,650	234	3,731	610	6,481	34,426	92	21,963
1967	1,730	248	3,748	675	6,629	35,427	96	22,815
USSR:								
1963	3,100	960	3,150	800	8,324	55,123	373	28,523
1964	3,060	880	2,100	600	6,814	56,938	341	26,694
1965	3,315	800	3,075	700	8,128	65,307	357	29,068
1966	3,740	720	3,375	800	8,821	68,220	371	31,700
1967	3,930	720	3,610	850	9,320	71,370	395	33,700
Total Eastern Europe and USSR:								
1963	4,570	1,156	6,211	1,285	13,789	84,938	460	47,073
1964	4,551	1,079	5,441	1,128	12,646	87,307	430	46,800
1965	4,834	1,023	6,861	1,256	14,463	97,425	449	50,491
1966	5,390	954	7,106	1,410	15,302	102,646	463	53,663
1967	5,660	968	7,358	1,525	15,949	106,797	491	56,515

^{1/} 1967 data are preliminary and meat production data are in terms of carcass weight.^{2/} Greasy basis.^{3/} Cows' milk only.^{4/} ERS-USDA estimates.

Table 8.--Eastern Europe and Soviet Union: Livestock number, 1963-67
(January of each year)

Country and year	Cattle		Hogs	Sheep	Goats	Horses	Poultry
	Total	Cows					
	1,000 head						
Albania:							
1963	407	148	108	1,576	1,119	46	1,651
1964	402	149	112	1,581	1,120	45	1,656
1965	427	157	147	1,682	1,199	4	1,671
1966	426	156	141	1,637	1,175	n.a.	1,722
1967	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bulgaria:							
1963	1,582	600	2,066	10,107	286	277	21,369
1964	1,494	568	2,097	10,308	353	256	21,322
1965	1,474	576	2,607	10,440	422	249	21,883
1966	1,450	581	2,408	10,312	436	246	20,845
1967	1,385	578	2,276	9,998	436	229	20,637
Czechoslovakia:							
1963	4,507	2,045	5,897	524	368	254	26,032
1964	4,480	1,984	5,845	527	362	227	26,293
1965	4,436	1,959	6,139	568	n.a.	204	26,340
1966	4,389	1,948	5,544	614	n.a.	168	27,752
1967	4,462	1,952	5,305	670	n.a.	177	29,466
East Germany:							
1963	4,508	2,092	8,045	1,792	388	369	35,626
1964	4,612	2,102	9,288	1,899	396	341	37,580
1965	4,682	2,132	8,759	1,972	353	306	38,210
1966	4,762	2,169	8,878	1,963	302	272	37,382
1967	4,918	2,196	9,312	1,928	278	250	37,670
Hungary:							
1963	1,946	803	6,238	2,260	n.a.	351	1/27,118
1964	1,854	779	6,127	2,370	n.a.	335	1/26,340
1965	1,945	808	7,039	2,600	n.a.	328	1/29,996
1966	1,919	782	6,590	2,460	n.a.	307	1/28,589
1967	1,968	772	6,123	2,340	n.a.	292	1/32,184
Poland:							
1963	9,392	5,923	13,698	2,591	n.a.	2,609	75,770
1964	9,320	5,877	12,328	2,377	n.a.	2,555	79,170
1965	9,348	5,810	14,197	2,438	n.a.	2,522	81,434
1966	9,480	5,775	14,367	2,572	n.a.	2,495	80,288
1967	10,002	5,872	14,704	2,757	n.a.	2,518	81,026
Romania:							
1963	4,566	2,026	4,518	12,168	550	780	34,150
1964	4,637	1,960	4,658	12,400	618	709	38,358
1965	4,756	1,901	6,034	12,734	744	689	39,910
1966	4,935	2,008	5,365	13,125	807	689	40,865
1967	5,198	2,127	5,400	14,109	828	705	43,366
Yugoslavia:							
1963	5,355	2,689	5,013	2/10,055	3/	1,175	29,939
1964	5,106	2,616	6,100	2/9,726	3/	1,140	32,473
1965	5,219	2,520	6,985	2/9,433	3/	1,109	31,229
1966	5,584	2,622	5,118	2/9,368	3/	1,131	31,685
1967	5,710	2,745	5,525	2/10,325	3/	1,134	35,153
Total Eastern Europe 4/:							
1963	32,263	16,326	45,583	41,073	3,931	5,461	253,255
1964	31,905	16,035	46,555	41,188	3,069	5,600	272,628
1965	32,287	15,863	51,907	41,867	2,718	5,451	273,373
1966	32,945	16,041	48,411	42,551	2,720	5,322	268,954
1967	33,643	16,242	48,645	42,127	1,542	5,305	282,500
USSR:							
1963	87,000	38,000	70,000	139,700	6,700	9,100	550,400
1964	85,400	38,300	40,900	133,900	5,600	8,500	448,900
1965	87,200	38,800	52,800	125,200	5,500	8,900	456,000
1966	93,400	40,100	59,600	129,800	5,500	8,000	487,500
1967	97,100	41,200	58,000	135,400	5,600	8,000	555,000
Total Eastern Europe and USSR 4/:							
1963	119,263	54,326	115,583	180,773	6,631	14,561	603,655
1964	117,305	54,335	87,455	175,088	8,669	14,108	721,528
1965	119,487	54,663	104,707	167,067	8,218	13,351	729,373
1966	126,345	56,141	108,011	172,351	8,200	13,322	750,454
1967	130,743	57,442	106,645	177,547	7,142	13,305	807,500

1/ March of each year. 2/ Includes goats. 3/ No breakdown for goats included in sheep. 4/ Totals of available data. n.a. = Not available.

Table 9.--U.S. agricultural trade with Eastern Europe and the Soviet Union:
Value and percentage share of U.S. total trade,
average 1955-59, annual 1960-1966

Year	Exports to --			Imports from --		
	Eastern	All	Percentage	Eastern	All	Percentage
	Europe & USSR	countries	of total	Europe & USSR	countries	of total
	Million dollars		Percent	Million dollars		Percent
Average:						
1955-59	151	3,933	3.8	35	3,924	0.9
1960	170	4,824	3.5	46	3,825	1.2
1961	177	5,030	3.5	47	3,690	1.3
1962	188	5,031	3.7	52	3,876	1.3
1963	259	5,585	4.6	45	4,011	1.1
1964	402	6,347	6.3	51	4,082	1.3
1965	210	6,229	3.3	66	4,088	1.6
1966	255	6,879	3.7	73	4,492	1.6





